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# “Restructuring Assistance and Policy Advice for the Ministry of Agriculture of Georgia” (RAPA), 2001-2005: Summary report and lessons learned

Contract No. LAG-I-00-98-00026-00, Task Order 804

BASIS IQC

USAID Mission Caucasus, Office of Economic Growth

SO 1.31, IR 1.31.1 “Improved Policy and Operating Environment”

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# “RESTRUCTURING ASSISTANCE AND POLICY ADVICE FOR THE MINISTRY OF AGRICULTURE OF GEORGIA” (RAPA)

2001-2005:

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The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.



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## ABBREVIATIONS

BASIS	Broadening Access and Strengthening Input Market Systems (USAID indefinite quantity contract)
CTO	Cognizant Technical Officer
DAI	Development Alternatives, Incorporated
DFID	UK Department for International Development
EBRD	European Bank for Reconstruction and Development
EDPRP	Economic Development and Poverty Reduction Program
EU	European Union
FAO	United Nations Food and Agriculture Organization
FFP	Food for Progress
FSN	Foreign Service National
FY	Fiscal Year
GEPLAC	Georgian-European Policy and Legal Advice Center
GRDF	Georgia Rural Development Fund
GTZ	Gesellschaft für Technische Zusammenarbeit
HACCP	Hazard Analysis and Critical Control Point [methodology]
IFAD	International Fund for Agricultural Development
ITSH	Internal Transport, Shipment and Handling (USDA)
OECD	Organisation for Economic Co-operation and Development
RAPA	Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of Georgia
RARP	Regional Agricultural Revival Project
SAEPR	Polish Foundation for Support to Agriculture APU
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
VAT	Value-added Tax
WFP	World Food Programme
WTO	World Trade Organization

## THE PROJECT

The United States Agency for International Development established the “Restructuring Assistance and Policy Advice to the Ministry of Agriculture and Food of Georgia” RAPA project in response to a letter from then-Minister of Agriculture and Food of Georgia David Kirvalidze, that was distributed to USAID, the IMF, the World Bank, the European Commission and others in October 2000 requesting donor support for a “temporary agricultural policy analysis group.”

The project’s three primary activities were specified in its original task order issued by USAID in November 2000 and by the USAID/Caucasus Mission Director at project inception in December 2000 as:

- Providing a policy advisor who can build a close working relationship with the Minister
- Supporting reform of the Ministry as an agency of the Government of Georgia to make it useful and effective in a market economy
- Carrying out analytical and other work to ensure that the Ministry of Agriculture receives “best practice” advice about both its policy and institutional form

The RAPA project, organized as a task order to Development Alternatives, Incorporated (DAI) under the USAID BASIS indefinite quantity contract, began in December 2000 when the USAID mission arranged an initial two-week visit to Georgia for the proposed expatriate senior advisor and began its formal Phase I operations on February 3, 2001. Initially contracted for four months, a contract modification for a Phase II of the activity through August 28, 2002, was completed by USAID on August 27, 2001.

On April 25, 2002, Minister of Agriculture and Food Kirvalidze, in a letter to the USAID Caucasus Mission Director, requested that USAID extend support for the project for a further two years. The Mission then prepared a new Statement of Work for an extended Phase II of the activity which it released in July, 2002. DAI responded with a technical proposal covering the period up to December 31, 2003. This proposal was accepted, subject to the completion of a set of benchmarks, and a contract modification extending through the end of 2003 was issued by USAID on August 26, 2002. The USAID Cognizant Technical Officer accepted the benchmarks on October 31, 2002, within the time period required by the Contract modification.

The USAID Regional Contract Office Caucasus issued a request for a further extension proposal on October 17, 2003. The response was accepted by the mission and the project was extended for a further six months, until June 30, 2004, with an option for a further twelve months. The USAID mission exercised that option in June, 2004. As the BASIS IQC itself had expired in the interim, no further project extension under that vehicle was possible, although Minister of Agriculture Mikheil Svimonishvili requested a further extension in a letter to US Ambassador to Georgia Richard Miles on January 27, 2005. The project therefore ended on June 30, 2005. So the project was redefined and prolonged by the Mission five times within a four-year period.<sup>1</sup> During that period, three members of

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<sup>1</sup> In January, 2005, the USAID CTO for the ACDI/VOCA AgVantage project and the Mission deputy director verbally instructed the RAPA and AgVantage Chiefs of Party that all RAPA staff were to be hired by ACDI/VOCA to allow for the activity’s continuation without interruption after June 30, 2005. However,

USAID Mission Caucasus Office of Economic Growth staff successively managed the project as its cognizant technical officer.

<b>Box 1. Contractual History of BASIS IQC Task Order 804 (RAPA project)</b>	
December 14-28, 2000	Candidate for advisor post makes inception mission to Tbilisi
February 1, 2001-May 31, 2001	Phase I
June 2001	Phase I no-cost extension; advisor on unpaid home leave
July-August 27, 2001	Phase I no-cost extension
August 27 2001-August 28, 2002	Phase II
August 28, 2002-December 31, 2003	Phase II Extension
January 1, 2004-June 30, 2004	Phase III(a)
July 1, 2004-June 30, 2005	Phase III(b) "option" period exercised by USAID

The project operated with a single expatriate advisor to the Minister/Chief of Party and a Georgian staff. The staff roster over the life of the project is given in Annex 1.

## THE PROBLEM

Georgia is a county about the size of South Carolina in the South Caucasus. Although the country has an ancient history, it was incorporated into the Russian Empire in the early and mid-19th century, enjoyed a brief period of independence as a de facto German protectorate following the October 1917 revolution in Russia, was reconquered by the Red Army in 1921, and regained its independence in 1991 when the Soviet Union collapsed. The president at the time of independence, Zviad Gamsakhurdia, was driven from office in a military coup at the end of 1991. Secessionist wars supported by the Russian Federation detached Abkhazia and South Ossetia from Georgian control, and they remain "independent," de facto Russian protectorates. Former Communist Party of Georgia First Secretary Eduard Shevardnadze was invited to return to Georgia from Moscow by the ruling military council in early 1992. He eventually outmaneuvered the junta leaders. A new constitution was proclaimed in 1995 and Shevardnadze was subsequently elected president twice, only to be forced to resign by the "Rose Revolution" in November 2003. An extraordinary presidential election in January 2004 confirmed the Revolution's leader, Mikheil Saakashvili, as president of Georgia.

## OVERALL WEAK GOVERNMENT

As this brief history suggests, the Georgian government is extraordinarily weakly institutionalized. Essentially, the Georgians began building a national government from scratch in 1990-1991. Their model was the Soviet system, and much of what Shevardnadze later constructed was based on his former patronage networks within, and the system of rule of, the Communist Party in Georgia. When independence was restored the country did not control its own borders, and the borders with South

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following later written instructions from the mission that ACDI/VOCA was to develop an agricultural policy activity but that this was to be done as ACDI/VOCA thought best with no requirement for maintaining previous personnel or continuing on-going activities, AgVantage announced an open competition for all positions, expat and local, under new position scopes of work. As of the writing of this report, June 26, 2005, AgVantage has not yet held any interviews or hired any staff.

Ossetia and Abkhazia remain open for road and foot traffic, although dangerous. Russian Federation border guards patrolled the country's other borders until 1997.

Government officials, elected and appointed, have a poor understanding of the functions of government in a democratic society and market economy. Many officials pursue their business interests from their government posts. Indeed, a top government job is generally perceived as the best way to enrich oneself, and, at lower levels, a government job is often seen as the only paid employment available. Conflict of interest laws are weak and ineffective. Similarly, there is neither a concept of, nor a law requiring, officials to act in the interest of the state rather than in their personal interest while performing their official duties.

Under the Soviet system, government jobs were essentially held for life so long as one did not cross the Communist Party. Accordingly, lower officials were rarely and only "accidentally" accountable to their superiors. If one were called to account, however, the consequences could be very serious; in the post-Stalin era, the loss of any real livelihood and the impossibility of finding other work in one's profession. (In the Stalin era, of course, the consequences were likely to have been even more serious.) The result is a government culture in which no one is willing to take responsibility for any decision or action, and no one is willing to delegate any task. Similarly, administrative and civil law were poorly developed and unimportant, since the real decisions were made by party agencies, and the hierarchy of CPSU agencies actually held the system together. When the CPSU collapsed with the Soviet Union, not only was there no culture of respect for law or real system of legal adjudication of disputes and punishment of misdemeanors, but the legal underpinnings of the new Georgian state were at best fragmentary.

The country's disorder in the 1990s, the disintegration of the Soviet Union with its cross-subsidization and directed resource flows and the consequent economic collapse, has left the Georgian government chronically short of money. Historically very low salaries for government employees have often been in arrears. A cash-based budget and the absence of financial markets that would allow the government to smooth its cash flow has meant that budgets are largely fictions with payments coming irregularly if at all. As a result, agency heads have sought independent funding to keep their units operating. Such funding usually involves charging a fee for a service, such as issuing a license, or finding a donor willing to support the agency in question. Because of the sometimes excessive diligence of the Ministry of Finance in seeking to fulfill its revenue collection targets, in turn, government agencies have used their poor accounts and a variety of other devices to hide and so retain this revenue. But an accounting device that hides income from the rest of the government ultimately hides it from everyone but those who "earn" it, and so this tendency has greatly facilitated corruption in which a flow of funds originally developed – and perhaps even sanctioned by agency higher-ups – in order to support the work of an agency has eventually become an income stream for those who run the agency.

Thus the Georgian government became the principal steady employment available to most Georgians. Agencies' search for resources to keep themselves operating led to a situation in which officials used their strategic positions in administration as a source of economic rents – bribes and side payments for services. Those resources could then be used by individual officials to strengthen their positions vis-à-vis their nominal bureaucratic superiors, leading to further fragmentation of authority and the impossibility of making or enforcing coherent policy.<sup>2</sup>

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<sup>2</sup> A recent discussion of this process of fragmentation in the context of resistance to land reform is Jessica Allina-Pisano, "Sub Rosa Resistance and the Politics of Economic Reform: Land Redistribution in Post-Soviet Ukraine," *World Politics*, volume 56, number 4 (July 2004), pp. 554-581.

## THE AGRICULTURAL SECTOR

These problems have been especially acute in Georgian agriculture in the past fifteen years. In the last years of the Soviet regime and the period since 1991 agriculture has consistently been responsible for 20-30 percent of the country's gross domestic product. As a result of land distributions in the early 1990s, subsequently regularized and furthered by donor support of land titling and registration, more than 2,300,000 titles to individual land parcels have been distributed. In a country with a total population of less than 5 million, then, almost all families have a piece of agricultural land. However, these land plots have an average size of about 1 hectare (approximately 2.5 acres), and the total land owned is often broken into several physical parcels.<sup>3</sup>

These land parcels have been the only effective social safety net for many of their owners, as they have provided subsistence in the absence of other work. It is currently estimated that 50 percent of all "employment" in Georgia comes from agriculture, most of it smallholder subsistence cultivation.

Desperate to find additional employment and also seeking to revive urban infrastructures (housing, heat and other utilities) that were often built and maintained by individual industrial plants, the Georgian government has consistently declared that it makes a priority of reviving the food-processing industry. But this industry was built to supply a closed Soviet market that no longer exists and the Russian market that now does exist is increasingly supplied from other, cheaper sources, including both Western Europe and China. As a result of the loss of markets, land parcellization and the reversion to subsistence agriculture, commercial agricultural production sharply declined during the 1990s, and so even if the large processors could find markets for their products, they can no longer be sure of supplies of raw materials to process.

Following Soviet precedents, the Georgian government has generally ignored the subsistence economy except at times of crisis. The principal policy concern has been how to supply food to the cities, particularly the capital, Tbilisi, where up to two million of the total Georgian population live, with cheap food to insure against urban disorders that would threaten the stability of the government and the lives of those in authority. This is a real concern not only because of Soviet history (the revolution against the Tsarist regime began in a bread line, and the roots of Polish Solidarity can also be traced to food shortages) but also because of the recent history of the Georgian government: The first post-Soviet president, Gamsakhurdia, was driven from office by the "Tbilisi war" and eventually died leading a civil insurrection in Western Georgia; his military junta successors are dead or in exile, and the second post-Soviet president, Eduard Shevardnadze, was driven from office by a "peaceful" storming of the parliament led by his former protégé, Mikheil Saakashvili – who was wearing a flak jacket under his sport coat just in case. Peasants are dispersed and disorganized. Urban mobs are easy to organize and a real threat, and food shortages are historically one of the main reasons they develop.

This focus on supplying the cities with cheap food – particularly bread – is characteristic of the Soviet and post-Soviet ruling elites. It reflects in part the "urban bias" of the Soviet system, which assumed

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<sup>3</sup> Remaining larger parcels are held either by Ministry of Agriculture agencies (in which case they likely have in fact been broken up into subsistence plots by their employees), the Academy of Agraricultural Sciences, or on lease from local governments. Because the leases were given out locally and are not centrally recorded, there is considerable suspicion that many of these leases were the result of sweetheart deals between local authorities and favored individuals. A law on land reform drafted by the USAID-supported Association for the Protection of Landowners' rights was intended to complete privatization of this land while limiting the amount that could be bought out by current leaseholders, but the Parliament has apparently amended the law to remove the limit on the amount of land that can be bought by the existing leaseholder, threatening to reinforce rather than eliminate the inequity in the present pattern of tenure of large tracts of agricultural land.

that cities were “progressive” and the countryside “backward,” and that rural areas should produce food for the cities not because of economic incentives to do so, but because of the “duty” – enforced by restrictions on mobility, a storage and processing infrastructure designed to get crops away from farms to central locations where they could be controlled and monitored, and occasional simple seizures of crops and produce – of those unfortunate enough to have been born in the countryside in order to feed their more fortunate urban brethren.<sup>4</sup>

## THE MINISTRY OF AGRICULTURE OF GEORGIA

The Ministry of Agriculture of Georgia is the descendent of a Soviet-era institution, having inherited structure, personnel and culture from that regime. Both before and since 1991 it has been frequently reorganized, in the sense that its organization chart has been redrawn and its units renamed, and it incorporates many once-independent agencies. The Ministry is more a loose confederation of agencies, in which the agencies and units have the corporate identity and permanence, rather than a unified organization with internal specialization.

Before 1991, the Ministry acted as a transmission line, distributing resources and orders to its subordinate units and ultimately to input suppliers, producers, and processors, and aggregating their requests for materials and sending them higher to the central authorities in Moscow. In interenterprise and ministerial transactions, monetary values were purely a convenient fiction; access to real, physical resources was the problem. (Cash money was used to pay employees and by them in the consumer sector, but was not directly usable in interenterprise transactions.)

The collapse of the Soviet Union and the subsequent land reform severed the Ministry’s lines of communications. Largely bereft of resources to distribute, it no longer could command producers. To a certain extent, the international donor community substituted for Moscow as the provider of resources, and what the donors gave during the 1990s was distributed as resources had been under the Soviet regime: everyone got a little bit in an attempt to keep all activities going. In part, this was the result of a carry-over Soviet attitude, the idea that any product would be sold, and so all that was needed was to produce it, quality or price not being a real concern.

<b>Box 2. Recent Ministers of Agriculture<sup>5</sup> of Georgia</b>	
Bakur Gulua	December 15, 1995-June 12, 2000
David Kirvalidze	June 12, 2000-October 2001
Nugzar “Khuta” Mamaladze	Acting, October-November 2001
David Kirvalidze	November 2001-January 25, 2004
David Kirvalidze	Acting, January 25-February 17, 2004

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<sup>4</sup> If one asks a typical Ministry of Agriculture official why farmers engage in farming, the answer is almost never that they do so because it is the best way they can use their endowment of skills and economic potential to feed their own families and make their own lives as prosperous as possible, and almost always to the effect that it is their obligation to do so.

Until 1989, it was actually illegal to build processing plants on farms or to build non-agricultural enterprises in most agricultural areas. The result is a much sharper coincidence between rural/urban spaces and agricultural/industrial economic activities than is found in developed market economies. The dependence of rural areas solely on agricultural incomes then makes rural residents much more vulnerable to shifts in markets for their produce than their colleagues elsewhere.

<sup>5</sup> The “Ministry of Agriculture and Food of Georgia” was renamed the “Ministry of Agriculture of Georgia” in February 2004.

David Shervashidze	February 17-December 15, 2004
Mikheil Svimonishvili	December 15, 2004-

The government seems not to have been very concerned with rural areas except during the various wars or, more recently, as part of a strategy to reclaim Ajara and the “Tskhinvali region” (South Ossetia). Rather, its attention remained focused on city dwellers and elite political maneuvering. Except when the Ministry’s donor resources could be tapped for some political purpose, such as paying pensions before the 1999 Presidential election or financing the campaign before the 2003 parliamentary elections, the Minister seems to have been pretty much left alone. The relatively small budget given to the sector (assertedly because the donors had already “taken care of” agriculture) also indicates this general lack of concern for the rural economy.

Obviously, this situation is quite different from the one familiar in developed market economies. Indeed, Georgia’s agriculture is in many ways more like that of the developing countries of Africa than it is that of Western Europe or the United States. Georgia’s government is also very weak, unable to enforce its decisions either by coercion or conviction and so reduced to the least efficient of all means for exercising authority, direct payment.

## PUBLIC POLICY

National political authorities exist to articulate the will of the citizenry in taking action to deal with issues of common concern, that is, to make and enforce policies. In any government, policy making is a process of balancing many interests and deciding which are to have priority. Whether considered as a feedback loop, a continuous set of transactions between governors and governed, or a structure in which government sets limits and civil society acts within those limits, governmental policy making always requires hard choices. Georgian governmental institutions in the Soviet era never had that fundamental responsibility, existing only as local agencies of the imperial power, charged with implementing decisions made elsewhere. Georgian officials and politicians continue to see their problem more as one of policy implementation than of policy-making. The very weakness of Georgia’s institutions makes hard choices harder because of lack of knowledge and information and the capture of many government agencies by those interests the agencies should be regulating and balancing against other social concerns. The Georgian government lost any possible ability to manage all of society as soon as it lost free access to the resources of the rest of the former Soviet Union. But the government has not yet ceased trying to manage everything, nor have all citizens ceased trying to make it attempt to do so. Georgian government officials at all levels and of all ages are uncomfortable with freely associating, unregulated groups in “civil society.” Moreover, the government is only slowly developing the new capacities that will allow Georgia to function effectively in an open international system. New governmental functions require fundamental structural change.

For a moment in 1990 and 1991, it appeared that the transformation of former Soviet-type economies and polities into market-oriented democracies could be done fairly quickly, and, in large part, with “the stroke of a pen.” Whether or not that was ever really true is now a matter for historians to debate, but the fact is that thirteen years after Georgia declared its independence, and twelve years after it took it, Georgia is still far from having a functioning set of market and democratic institutions. As a result, grand policy prescriptions have come to be more and more distrusted among donors and residents in and donors to the region. No one still expects that economies and institutional arrangements developed over several generations can be quickly and easily transformed.

Attempts simply to translate Western market institutions and laws into post-Soviet states have too often failed or led to serious unintended consequences. Reasonably enough, consultants and foreign officials have tended to push for the institutional framework with which they are most familiar and

which they know works—arrangements like those in their own home countries. Because many often incompatible, specific institutional arrangements exist in the various countries offering advice, however, different consultants have emphasized various, often equally incompatible, institutional solutions to a transitional problem and occasionally have even come into conflict with one another over the “right” institutional and policy framework. This conflict of models is particularly severe in agriculture. Because both the European Union and the United States have extraordinarily productive agriculture and food systems in which well-organized but highly competitive producers often turn to government regulation as a way to mitigate competitive pressures and absorb excess production, because both Europeans and Americans choose to subsidize their producers heavily, and because experts from either side of the Atlantic tend to take their own institutional framework for granted—and reflexively defend it when challenged—there have been especially many attempts to translate what turned out to be questionably applicable institutional frameworks for agriculture to the independent states of the former Soviet Union, including Georgia.

A model of policy reform that presumes that “if we just tell them how they should do it, the job is done” assumes away the problem it is trying to fix. Recommendations that Georgia adopt institutional models that work somewhere else presume that the current political structures in Georgia are strong enough to adopt those changes and actually implement them. Getting real change on the ground by government action is difficult enough in the most developed Western systems<sup>6</sup>; it is especially hard in a country like Georgia, whose institutions developed not for “policy-making” but as transmission belts for decisions made elsewhere. The Georgian system continues to be based on the assumption—precisely parallel to the donor assumption about “stroke of a pen” change noted above—that giving an order at the top is equivalent to having a change made in everyday life. Acceptance of this false assumption was one major cause of the collapse of the Soviet Union, and it is at least equally pernicious in a much less powerful post-Soviet state. The leaders of the country’s political institutions, both those identified as progressive and receptive and those often considered incorrigible, know very well that their system is not working as it should. But they neither have clear ideas about how to change their institutions to more effectively accomplish their ends, nor the resources—financial, institutional, or political—with which to do so. The purpose of a policy effort is to assist in developing those ideas and creating and mobilizing the needed resources.

## THE POLICY UNIT MODEL

The Minister’s original request to donors which led to the RAPA project asked for help in establishing an agricultural policy unit of a sort that has been funded by various donors in many of the transition economies of Central Europe and the former Soviet Union. The most successful APU and the model for others was the Agricultural Policy Analysis Unit of the Foundation for Assistance Programs to Agriculture (SAEPR) in Poland which was supported by the World Bank, the European Union and the Polish government. Similar agricultural policy units are operating or have functioned in Ukraine, Latvia and Bulgaria. Attempts to establish them were made, unsuccessfully, in the Russian Federation by the EBRD and in Uzbekistan by EU TACIS. One of the three principal recommendations for advancing agricultural sector reform in Georgia made by the CASE analysts led by former Polish Minister of Finance Leszek Balcerowicz in the spring of 2001—just a month after the RAPA project began—was for the establishment of such a unit in the Georgian Ministry of Agriculture.

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<sup>6</sup> The classic commentary on this problem is Jeffrey L. Pressman and Aaron Wildavsky, *Implementation: Or why great ideas in Washington often fail miserably in Oakland* (Berkeley and Los Angeles: University of California Press, 1984).

### Agricultural Policy Units:

- help develop and implement market-oriented agricultural policy;
- train their staff in Western analytic techniques and approaches;
- serve as points of contact between donors and recipients; and
- act as catalysts in transforming the structure and functions of government agencies concerned with agricultural policy.

Successful agricultural policy units such as the Polish SAEPR drive overall agricultural reform in their country. Like all public policy activities, they blend quality research, data collection and analysis with policy advice and advocacy that flows organically from their attempts to carefully and critically understand the real situation and issues in the sector, to develop policy alternatives to address those issues, and to dispassionately present the costs and benefits of those alternatives to policy-makers. Although initiated and supported by donors, APUs are locally-run and managed, and do not work if they do not eventually acquire value and importance in the eyes of the country's agricultural policy-makers. The SAEPR was eventually institutionalized in the form of a foundation incorporated in Poland supported by funds from a variety of domestic and international sources. Its work, and the people it trained, have played a key role in moving Poland into the European Union.

A well-functioning APU will multiply the effectiveness of pressure from outside the government from policy change. Such pressure from civil society is critical if better policy is to be developed and implemented. Yet an entrepreneur or a business association is most deeply concerned with immediate policy problems encountered in trying to do business. So such "demand driven" policy reform, taken in isolation, is likely to be narrowly focused at the immediate objective of the businesses concerned, and in a weak regulatory environment may actually run counter to good policy by furthering too-specific goals. "Demand-driven" policy also tends to be reactive. In a poorly-functioning market economy like Georgia businesses are often too busy trying to survive to do much systematic thinking about their future, nor do they often have the time and resources to stay abreast of issues that do not obviously directly concern them. A well functioning APU can help to alert both the Georgian government and the private sector to potential policy problems before they become real constraints to economic activity.

## PROJECT ORGANIZATION

Over its four years of existence, the RAPA project came to perform most of these functions. The staff, selected for their skills as Georgian professionals rather than their language abilities, included lawyers, economists, auditors, and support personnel (Annex 1). In addition to carrying out their own tasks and constantly discussing, and occasionally contesting with, their ministry counterparts, they also provided a valuable information and training resource for Ministry personnel.

Access always comes at a cost, and in this case the cost was assisting Ministry personnel with their own tasks. Not doing so would have meant never gaining the trust of the Ministry's staff, the essential prerequisite for any real discussion and dialogue. The balance between what the Ministry "wanted," in terms of help to deal with an immediate matter, and what the Ministry "needed," was always delicate. On balance, however, the project considerably advanced the policy dialogue in agriculture.

The project was created at the request of the then Minister, and the interest and the attention of the Minister is always a necessary condition for successful project operation. AID quite properly gave the Minister who asked for the project a chance to veto the expatriate advisor proposed by DAI, and the project has always followed the policy of open hiring, but giving the Minister a veto if he can

articulate good reasons for doing so. In fact, only in two cases did the Minister express reservations about a proposed project hire, and in both cases those reservations confirmed concerns already expressed by the project hiring committee.

The need for the support and understanding of the Minister for the project to work properly was shown particularly clearly by the change in Ministers at the end of 2004 posed particular challenges in this regard, as the new minister was inclined to reject everything that had been done by his immediate predecessors because they had done it. The politics of employment in the Ministry and ministry activities are complex. One great advantage of the policy unit model for the minister is that it provides him with staff whose only loyalty is to the project and so to the minister, giving him competent support with minimal domestic political costs. In a situation where it is still difficult to fire unsuccessful employees and where merit hiring is a rarity, that is a very significant gain for the Minister.

Because it was located in the Ministry, resident, and made a point of collecting relevant materials, the RAPA developed a major donor coordination function as a place to find out what other donors are doing and to acquire previous studies, as well as to learn about the Ministry's activities. Despite occasional friction, this function has generally helped the work of the Ministry's Foreign Relations Department.

The RAPA, together with the resident representative of the World Food Programme in Georgia and the intermittently resident EC FSP advisor, was largely responsible for the resumption of quarterly high-level agricultural donor coordination meetings called by the European Union Delegation. These meetings, which are for donors, are a useful place to discuss events and coordinate efforts to assist the agricultural sector. These donors' meetings are complemented by quarterly meetings of project managements called by the Ministry's Foreign Department as well as, of course, the various donors' bilateral and multilateral contacts with the Ministry of Agriculture. Trades competent, controllable staff without significant external interests for access to information and policy-makers.

## **ISSUES**

The following sections briefly discuss some major issues addressed by the project. Detailed discussions and studies can be found in previous reports and in the CD of all project "publications" (essentially, all significant documents) submitted to USAID at project end.

### **MINISTRY MISSION AND STRATEGY**

Several attempts were made in the 1990s to define a strategy for the agricultural sector and government actions to improve it. Although at least two of those efforts, one advised by the UN Food and Agriculture Organization in 1998 and another in response to a European Union Food Security Program condition in 1999-2000, resulted in documents that were formally approved by the government, both documents suffered from being lists of desirable things to do, were there no environmental and resource constraints. Unfortunately, Georgia faces severe limits in both these things.

Minister Kirvalidze asked a senior staff member of the project to work with his Foreign Department and Economics Department to develop a new, more reasonable strategy. This work led first to the development of a Ministry mission statement, which Kirvalidze accepted but his successors then let drop, and then to sustained discussions about Ministry strategy. Unfortunately, the approaches and mindsets of the people assigned were too different to produce an entirely coherent longer document,

and the changes in ministers meant that the strategy document that emerged, which was to have been finally approved in December 2004, was never actually approved.

One reason for this failure was the Ministry's changed position. The introduction of a Cabinet of Ministers in theory moved the locus of strategic decision for agriculture, and all other sectors, from the Ministry to the Cabinet. Unfortunately, Minister Shervashidze was never able to present his strategy to the Cabinet due, as he said, to scheduling difficulties. Perhaps equally importantly, the change in structure made the Ministry more responsive to cabinet-level demands, including those from the State Ministers responsible for reform and European integration. The most reasonable attempt at a Ministry strategy was actually presented in a letter responding to a request from State Minister Bendukidze.

One reason this letter is at least an improvement over previous documents is that it concentrates on medium-term plans, not long-term ones that tend too easily to become wishes. This change in focus was driven by the World Bank Medium-Term Expenditure Framework exercise begun by the Bank in 2005 in Georgia, an exercise in which the Ministry of Agriculture was one of the pilot line ministries. An October, 2004, donors' meeting decided that rather than continuing to focus on long-term strategy, such a medium-term approach was more likely to yield a real set of priorities on which the government and the donors could focus.

It should be noted that in the new Cabinet system, and with a new and relatively politically inexperienced Minister of Agriculture, the importance of the Ministry in agricultural policy formulation, even to the extent that the Government of Georgia does so, has declined relative to the Parliament and the Cabinet, as well as relative to other ministries. In part, this reflects the extent to which the current President of Georgia sets the overall policy agenda and manages low-level issues that he sees as important, in part it reflects other personalities, and in part it reflects other changes. In any case, however, it is now a fair question to what extent the Ministry of Agriculture is even notionally responsible for making agricultural policy.

## **GRAIN SUPPLIES AND BREAD PRICES**

Georgia does not produce enough grain to meet its own need for food grain. Since 1991, that shortfall has been met by foreign assistance, usually concessional and often donated free-of-charge. Although the state grain system of ports, elevators, mills and bakeries was nominally privatized in the late 1990s, the government continued to require that the Ministry of Agriculture maintain a state reserve equivalent to three months' consumption needs, and a variety of government agencies continued to use administrative pressure to *de facto* control bread prices. This hidden price control is enormously inefficient, since it is justified as an anti-poverty measure but it benefits everyone and makes the retail bakery business hostage to administrative pronouncements, creating the basis for both monopoly and corruption. The grain handling system itself, composed of integrated storage, milling and baking facilities, while nominally privatized, has in fact remained subject to government at all levels.

Much of Georgia's food grain need is met by flour smuggled in from Russia and elsewhere. Project senior analyst Bidzina Korakhashvili undertook the first independent analysis of Georgia's real grain supplies. His results indicate that smuggling is substantial, especially in years when there is a good harvest in neighboring countries. Unfortunately, in years when regional supplies are tight, prices tend to go up steeply and Georgia can be caught short. In this situation, Georgia remains dependent on foreign aid. This situation needs to be addressed by restructure the grain trade to open it up to public scrutiny, finding ways to target assistance to the poorest rather than subsidizing everyone through administratively-enforced artificially low bread prices, and by working out arrangements with neighboring countries that change the economic incentives that encourage smuggling.

Although USDA commodity donations, including 416(b) and Food for Progress are supposed to be free of all taxes and duties through the first sale of the commodity in-country, the Georgian government has routinely charged value-added tax on all handling of such donations and to the first buyers in country. RAPA project work documented this practice, and the project worked with the USDA agricultural attache in 2004 to develop an FFP agreement that more clearly forbade it. The Embassy used this negotiation as a lever to develop a more coherent and effective policy on avoiding taxation of US assistance, leading to a new system of reporting and obtaining tax exemptions in accord with present US law.

In 2001-2003, the Ministry did not receive its budgeted allocations. Moreover, the Ministry of Finance insisted that proceeds from sale of US donated wheat should be taken by the Ministry of Finance to pay for urgent non-agricultural needs. Therefore, the Minister sought a way to find alternate funding, which he did through provisions in the 2003 and 2004 Food for Progress agreements that the Ministry, a representative of US Embassy Tbilisi, and the USDA attache would decide how the proceeds were to be used to benefit agriculture. While this was an understandable response to a real problem, it had effects exactly like those of other agencies' attempts to find sources of funding for themselves, however. In this case, however, there was an additional unfortunate consequence. The amount of proceeds now on deposit in the National Bank of Georgia – in a non-interest-bearing account – now approaches US\$10 million. This is a very large sum of money, and especially so for Georgia. So the Cabinet wants a voice in how it is spent. As a result, the Minister has been unable to get agreement on how the money should be spent, and so it sits.

## **AGRICULTURAL TAXATION**

The Ministry considers one of its functions to get tax breaks for the sector. The project prepared a comparison of taxes on agriculture – inputs, production, processing and sales – that did show that Georgia gives its agricultural sector a less favorable tax regime than in its neighbors.

## **PRODUCTION SUBSIDIES**

The Ministry is concerned to provide subsidies to producers to “help” them. However, many of those subsidies have been distributed in a less than transparent manner. Moreover, Georgia's obligations to the World Trade Organization, which it joined in 1999, forbid more than *de minimis* subsidies for anything except the recultivation of tea plantations. Although its Economics Department calculated the Adjusted Measures of Support in agriculture that must be developed according to a WTO standard methodology as part of accession negotiations, the Ministry at that time seems not to have been much involved in the negotiations and not to have considered their longer-term policy implications. Thus the Ministry continues to spend much of its time trying to find sources of funding for activities for questionable economic activities and offering them in ways that may be less than entirely acceptable under WTO criteria.

## **GRADES AND STANDARDS**

Georgia continues to employ Soviet-era grades and to apply Soviet-era obligatory standards (technical regulations). Although this can to some extent be justified because her neighbors do so as well, they are changing as they move closer to WTO membership and as European products become more common in major markets such as Moscow. The project spent considerable time and energy examining these questions and proposing new approaches. RAPA work was the immediate catalyst for broader work on standards change initiated by the European Union through its TACIS project and USAID through the Georgia Enterprise Growth Initiative. As of the end of the RAPA project, the old

state standards agency, Sakstandarti, is being restructured and government is considering major changes in its whole system of standards and certification.

## **CERTIFICATION**

Laboratory certification is currently one of many activities carried out by the Georgian State Standards Department, Sakstandarti. They also issue import certificates for agricultural inputs. Their standards are out of date, not compliant with international norms, and often simply barriers to trade or excuses for a side payment. The RAPA project has been working with an EU TACIS project, the GEGI, members of Parliament and private sector actors to push reform in this area. President Saakashvili's announcement of his intention to abolish Sakstandarti on April 13th may be a good sign, although it was put in the context of an overall reduction in government licensing which is likely to have gone too far to be compliant with Georgia's international obligations under various treaties.

## **EUROPEAN HARMONIZATION**

Both former President Shevardnadze and current President Saakashvili have declared Georgia's intention to join the European Union as quickly as possible. The present authorities have established a specific office to manage this process at the deputy prime minister level, the State Minister for European Integration. His office, and the office of his colleague the State Minister for Economic Reform, have instructed all ministries to set up special units to help bring Georgian law and regulation into conformity with the European Union *acquis communautaire*. The government is expected shortly to adopt a new special program on European harmonization.

In fact, the Ministry of Agriculture has probably moved farther than any other ministry in identifying, translating and studying the relevant EU directives and regulations because of RAPA assistance. Although bringing everything into alignment with the complex body of European law is probably not possible in the short term, knowledge of European standards and laws is needed to do much of the other legal work identified as priorities by the Ministry and the project. A RAPA staff member has tracked these issues and works with Ministry units, the Georgian-European Policy and Legal Advice Center, and other interested parties on these issues.

## **SEED, VARIETIES AND GMOs**

Because there is no system of food safety control or risk analysis in place, and because of Georgia's great biological diversity, Georgians are particularly concerned about the possible dangers of genetically-modified organisms. The botched introduction of Bt-seed potatoes some years ago contributed to the development of a substantial and vocal anti-GMO "green" movement. The Ministry of Environment is currently drafting a law to regulate GMOs which the project has been following.

Working with the World Bank and the European Union, the project hosted a consultant funded by the World Bank, David White, who developed a new European Union-compliant law on seed and another on selectionists' rights. Although the European Union has insisted as part of its Food Security Program that this law should be presented to parliament, as of the end of the RAPA project this had not yet occurred due to resistance by the Academy of Agrarian Sciences of Georgia.

## **LAWS AND REGULATORY REFORM**

### **GEORGIAN LEGAL DOCUMENTS**

The body of Georgian legal texts includes laws, which are passed by parliament, presidential decrees and instructions, Cabinet decrees and instructions signed by the Prime Minister, and orders adopted by individual ministers, equivalent agency heads, or other senior executive-branch officials.

Ministerial and other agency orders are collectively referred to as “sub-legal acts,” that is, regulations. Decrees set general principles, while instructions concern a particular issues (e.g., the appointment or dismissal of a state employee) and so are not “normative acts,” as they set no general legal precedent or standard. All normative acts must be published in the Bulletin (*matsne*) of the Ministry of Justice to become effective.

Although the numbers are not immediately available, it appears that Parliament initiates few laws. Almost all laws are written by ministries, usually in the departments concerned. The government adopts an annual “legal drafting plan” based on suggestions from the ministries and other executive-branch agencies, which specifies what laws are to be prepared by which agencies.

A draft law is approved within the originating agency, sent for comments to other agencies which must also approve it (this process may take two or more iterations), then to the Cabinet for approval by the entire government. The draft is then submitted to Parliament where, once the Parliament Buro – a committee of the parliamentary leadership which normally meets once a week while parliament is session – has placed it on the agenda, the bill is given three readings. The first reading is agreement in principle. Following acceptance at first reading, the bill is sent to committee for detailed consideration and redrafting. At second reading the substance of the bill is debated and changed as the legislators find appropriate. The bill may then go back to committee for cleaning up. At third reading, the bill is finally adopted. Normally the readings are done at several sessions of parliament. However, the Parliament buro may direct that a bill is to be given consideration under a simplified procedure under which all the readings are done sequentially at a single session.

Laws are then signed by the president and become effective on publication. Although the constitution includes a presidential right to return legislation for reconsideration to parliament unsigned (a veto power), this power seems to be very little used.

The Parliament has a legal unit, but its activities are mainly confined to cleaning up writing problems. The parliament does not appear to systematically check that proposed legislation is in accord with the existing body of law. Parliamentary committee staffs carry out essentially secretarial and logistic functions. They do not normally include senior specialists in the area, nor do they do substantive work as US Congress committees’ staffs often do.

Under the Shevardnadze regime, the Ministers and Ministerial-level agencies reported directly to the President, who chaired at-least weekly meetings of “the Government” – all ministers and some other executive branch agencies. Following the Rose Revolution of October 2003, a “Cabinet of Ministers” headed by a Prime Minister was established. In theory, the cabinet as a whole then became the policy-making body for the executive branch, supplanting the policy role of the individual ministries. The President retains the authority to appoint ministers, subject to parliamentary approval, while the prime minister appoints deputy ministers. Although the relation appeared to be modelled on the current constitution of France, the respective powers of the President and Prime Minister are poorly delineated.

## **LEGAL DRAFTING ASSISTANCE**

The project provided substantial legal-drafting assistance to the Ministry of Agriculture. In addition, a project staff member was based in the Ministry's legal department, where he helped to systematize the Ministry's legal records and acted as liaison between the Legal Department and the project's legal staff.

Legal drafting assistance could be limited to reading and refining a text according to the standards of Georgian legal writing, or might include significant discussion of, and suggestions about the substance of, the draft law. In the case of the Law on Fisheries, the project was specifically asked by the Minister to draft a new law.

Major pieces of legislation on which the project staff worked are briefly described in the following sections.

### **LAW ON ORGANIC AGRICULTURE ("BIO-FARMING")**

At the request of the Minister, RAPA project lawyers took a major role in drafting the framework law on Organic Agriculture, working closely with Ministry staff and representatives of the Georgian NGO "Elkana." The law was completed and submitted to the government for approval and transmittal to parliament in 2001. However, objections from Sakstandarti blocked its approval by government until 2004. The State Standards Agency claimed that it had the sole right to carry out product "certification," and so the method for certification of products as "organic" by the Ministry of Agriculture laid out in the law was unacceptable. The law was passed at first reading in December, 2004.

### **LAW ON FISHERIES**

The former head of the "Georgian Fisheries" department obtained the current Ukrainian law "On Fisheries," translated it, and sought ministerial approval for its presentation to Cabinet and Parliament for passage. A RAPA project lawyer, at the request of the Minister, wrote a substantially different draft based on fisheries law in OECD countries. That draft has been used as a basis by a project to advise on fisheries reform funded by FAO which is currently working in the Ministry.

### **VETERINARY LAW**

The Georgian law "On Veterinary" covers both animal health and food safety as it relates to animal and other processed products. The Veterinarians also inspect all food sold in peasant markets, the principal source of food aside from own production for most Georgians. Until recently, the law has been a mix of Soviet-era norms, excessive claims to power and authority that conflict with other legislation, and a few ideas adopted from international practice. A 1999 DFID project, the EC Food Security Program, and the World Bank have all repeatedly suggested that the law needs to be updated, and all three, as well as the Netherlands government, have provided short-term advisors to the Veterinary Department to update the law and its enabling regulations. However, substantial amendments to the law, following the recommendations of a World Bank consultant who specializes in EU veterinary matters (the former head of the UK's national Veterinary Reference Laboratory) were adopted at last only last year due to joint efforts by the EC, the Bank and USAID coordinated by RAPA staff.

Further work is needed to bring this law into line with the Law on Food Safety being developed concurrently, as well as to develop the associated laws and implementing regulations to make the new system effective.

## **FOOD SAFETY LAW**

OECD countries all have increasingly strict legal regulations to ensure food safety, and those systems are gradually converging as a result of the work of the FAO/WHO Codex Alimentarius Commission (the international reference body for food standards), legal changes brought about under various World Trade Organizations, particularly the Agreements on Agriculture and Sanitary and Phytosanitary matters, and also as a result of growing concerns about the danger of bioterrorism.

The Ministry was given the task of drafting a new, EU-standard compliant food safety law in late 2003. An interagency working group worked for most of 2004 to draft a new law with technical assistance provided by the World Bank, day-to-day coordination by RAPA staff, and support from the European Union, which included preparation of the law in its calendar year 2004 Food Security Program conditions. In cooperation with World Learning and AgVantage, the project has also held a number of training courses and events on Codex Standards, WTO SPS requirements, international food safety standards and the HACCP system.

The law was completed except for the important political decision of where a new risk-assessment agency should be located in the government by December 2004. As a result of changes in the Minist, that issue has gone unresolved since last November. To clear this blockage, with the agreement of the Ministry of Agriculture, the law will shortly be introduced by the Parliament's Agrarian Committee as their initiative.

Passage of this law, though still far from assured, is the easy part. The law mandates the creation of a new unified food safety agency, following the lines of what was done in Latvia prior to that country's accession to the European Union, carrying out the function of risk assessment. The World Bank's upcoming Rural Development Program includes substantial funding for setting up this agency, including selection and training of new staff and some funding for equipment. However, this work will need to be coordinated with the Department of Defense Cooperative Threat Reduction Program as well as other donors' activities in food safety and plant and animal health.

## **SEED LAW AND LAW ON SELECTIONISTS' RIGHTS**

Georgian procedures for seed and variety certification and commercialization are cumbersome, antiquated, ineffective and not compliant with internationally accepted ones, neither guaranteeing that farmers will get good seed nor making it possible to introduce new varieties with a minimum of fuss. Hence the need for a new law. The RAPA project began work on this issue as the result of a request from the Ministry of Agriculture. The Ministry wanted something done, in turn, because changing this situation had been set as a condition in the (never-completed) memorandum of understanding between USAID and the Ministry of Agriculture on the initiation of the SAVE project.

As with the food and veterinary laws, with RAPA providing day-to-day coordination the EC FSP has made adoption of a modern seed law a condition of its further budgetary support to the Georgian government, and the World Bank has provided considerable short-term expertise to the development of an appropriate law. However, for reasons that are unclear the order to establish a working group to develop the law and prepare it for presentation to the government has gone unsigned by the Ministry since June 2004. According to the Secretary in the EC Delegation responsible for the FSP, Georgia stands to lose the final tranche of budget support from the 2004 Food Security Program, and no memorandum on budget support in 2005 will be signed until this logjam is broken.

## **LAWS ON LICENSING**

In order to meet conditions to receive the World Bank Structural Adjustment Credit-III loan/grant in 2001, Georgia adopted a new Law on Licensing which specified what agencies could, if they wished, issue permits and licenses for specified businesses and products. The State Chancellery (the executive office of the president of Georgia) thereupon assigned all mentioned agencies that they draw up laws on mandatory licensing and issuance of permits for all those activities and products, and the Ministry of Agriculture duly did so. The RAPA project has been working with the Association of Young Economists and the Ministry to help modify the law to bring it into accord with European Union practice and the draft Food Law.

## **REORGANIZATION**

Every Georgian executive branch agency has a charter which specifies its legal name, basic structure, and competence. Before the Rose Revolution, these charters were approved by Presidential decree. Since the constitutional changes of early 2004 they have been approved by the Cabinet of Ministers.

Each unit within a Ministry has its own charter, analogous to the Ministerial one, approved by the Ministry. All positions are supposed to have written position descriptions, approved by the unit head. Employees are supposed to receive a copy of their position descriptions when hired and copies signed by the employee to show that she has read and understood the description are filed in the agency's personnel office.

Ministry agencies have three forms: central agencies, bodies which are parts of the national ministry; subordinate agencies, which have limited independence and usually their own network of regional branches; and legal entities of public law, a hybrid form subject to management by the central Ministry but which is allowed to charge fees for services and seeks to retain those revenues. The extent to which LEPLs should exist at all has been a continuing matter of discussion between the project and the Ministry, and between the donor community at large and the government. The organizational form certainly contributes to the fragmentation characteristic of the Georgian government.

Phase one of the project developed a diagnosis of the Ministry which emphasized within the Ministry the problems described earlier in this report: fragmentation, lack of accountability, lack of policy coherence, lack of economic analysis and a poor budget system with no internal audit function. Throughout its existence, the project emphasized the need to improve these circumstances.

## **MINISTRY REORGANIZATION COMMISSION**

During its second phase, the project developed a systematic plan for overall restructuring of the Ministry which, with variations, the Ministry continues to discuss and has partially implemented.

At the insistence of the project, a Ministerial commission was established in 2002 to coordinate its reorganization.<sup>7</sup> This commission, chaired by the First Deputy Minister, included all deputy ministers, selected department heads, and, ex officio, RAPA and EC Food Security Program representatives. During the next year, the Commission developed recommendations to simplify and better coordinate the ministry's structure. However, despite repeated promises and assignments of actions to Ministry employees, particularly the legal department, very little was actually done (see the chart in Annex 5.)

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<sup>7</sup> Order of the Minister number 2-114, "On the creation of a commission to coordinate reorganization of the Ministry of Agriculture and Food" (August 22, 2002).

The Commission ceased meeting following the appointment of Shervashidze as Minister in February 2004. Although he promised several times to take systematic action to restructure the Ministry and at least twice requested detailed plans from the Project on how to do so, in fact he never took such action. His stated reason was that under the new governmental structure, such decisions were to be made collectively by the Cabinet, and the time to present them there was not right.

A new reorganization commission, chaired by the first deputy minister, was established in March 2005 with a much broader membership, again include RAPA project representatives. This commission was, essentially, to develop a response to demands from State Minister Bendukidze for downsizing of the Ministry. Unfortunately, the design produced by the commission was much more driven by the existing skills and political preferences of the deputy ministers than by the principles of organizational rationality the project has consistently advocated. Minister Svimonishvili declared when he was appointed in December 2004 that he planned a radical reorganization of the ministry in the near future. As of this writing, the Minister continues to state that he plans radical reorganization of the ministry in the near future.

#### **BUDGET AND FINANCIAL MANAGEMENT**

As discussed in previous project reports, the Ministry's budget system is primitive and poorly implemented. The project has worked with the central bookkeeping department to improve staff skills, and played a major role in the design and implementation of the "Risk Assessment Exercise" funded by the World Bank Agricultural Development Project and the "Budget System Improvement for the Ministry of Agriculture of Georgia" project now being implemented by TACIS. Those more specialized projects were intended to leverage the RAPA's diagnosis and knowledge into detailed analysis and redesign of Ministry financial planning and budgeting to make it possible for the Ministry, finally, to know and control its financial position. Despite some difficulties in the TACIS projects as a result of unfortunate staff decision, this work is proceeding.

#### **TENDERS/PROCUREMENTS**

At RAPA recommendation, the Ministry established a specialized unit to handle its procurements. This department, which has been advised by a RAPA staff member, has made good progress in routinizing tender procedures and ensuring that they are conducted in full accord with Georgian law.

#### **DOCUMENT CONTROL AND CIRCULATION**

Ministry documents are all supposed to be held in a central document registry and publicly available. In fact, only one copy of a document usually existed. With project support, the Ministry has partially implemented an electronic document circulation system. Scheduled to be rolled out earlier in 2005, the roll-out was delayed by changes in ministry personnel and the lack of sufficient project budget to provide adequate technical support to the effort. However, the system is routinely used by the document registry and can be extended at a later time as funding and technical support permits.

#### **AUDITING AND INTERNAL CONTROL**

Following a recommendation by the European Commission Food Security Program, the RAPA project supported the development of an internal control unit in the Ministry. The work of this unit is described in a summary report by its former head (Annex 3). The current minister has changed the personnel of the unit and ordered that they should be financed solely through the State budget.

## **PUBLIC RELATIONS**

As detailed in its earlier reports and publications, the project worked with the Ministry public relations department throughout its life.

## **“PRIVATIZATION” OF STATE-OWNED ENTERPRISES**

During its first three phases, the project assisted the ministry to develop and audit the balance sheets of some 90 state-owned corporations that had been formed from parts of the ministry. Those agencies, which had been intended for privatization but were generally unattractive to investors, were later transferred to management by the Ministry of State Property, now part of the Ministry of Economy.

## **MINISTRY LABORATORIES**

The ministry system includes more than 170 entities called “laboratories.” The project performed an inventory of these entities, apparently the first one ever done, with a view to their severe consolidation. However, many ministry units continue to seek to improve their own laboratory facilities. Better coordination on these issues at the level of the senior ministry management would be desirable.

## **INDIVIDUAL MINISTRY AGENCIES**

The project has worked in great detail on individual Ministry agencies, providing repeated comments and recommendations on their consolidation. The organization charts presented in Please see the CD of “publications” and previous reports for details. This section simply provides an update.

## **DAWE/DASM**

The Department of Amelioration Systems Management, which had been a legal entity of public law and sought further independence, was deprived of its independent status by an April 18, 2005 ministry order.

## **PLANT PROTECTION SERVICE**

At the request of the Ministry, project Lawyer Avtandil Iakobidze was statopped in the Plant Protection Service from May 2002 through April 2005. The summary report of his work in Annex 4.

## **VETERINARY SERVICE**

The Veterinary Service has begun a reduction in staff according to the reorganization plans it developed in 1998-2004 under consistent pressure from the European Commission Food Security Program and, more recently, RAPA. A number of analyses have found that the current Veterinary Service is almost entirely ineffective, as discussed in previous reports. There remains some doubt about the commitment to reform within the service, however. How these reforms are to be linked with overall changes in the food safety system remains an issue under discussion.

## **FOOD MONITORING AGENCIES**

When the project began, the Ministry had three major agencies concerned with the control of food safety and quality

- The Food Products Monitoring and Inspection Service, essentially a network of monitoring laboratories. In 2000, this Service had separate subagencies in the major cities of Georgia.
- The Food Products and Flour Quality Inspection. Formerly the State Grain Inspection, this unit had been split into the State inspection of quality of agricultural production and the Inspection of quality of grain and flour in the late 1990s, when the power of inspecting the quality of retail food products in stores was given to Sakstandarti.
- The Veterinary Service, which claimed under its charter the the right to inspect all food sold in farmers markets – the principal source of purchased food for most Georgians – as well as the right to inspect all food products entering Georgia.

With the World Bank and the European Commission, the project coordinated the development of a new framework Food Safety Law in 2004. This law, which would bring Georgian practice into conceptual accord with that of the European Union and the United States, also draws on the model of food safety system developed in Latvia during its accession to the European Union.

## **LESSONS LEARNED**

### **WORK WITH THE MINISTRY**

As noted above, work with the Ministry depends critically on the attitude of the Minister. The project, begun at the request of one minister, was not much affected by his replacement, perhaps because the successor was a former deputy minister and friend of the first incumbent. The project has coped much less well with the transition from Shervashidze to Svimonishvili. Partly this is because any minister will want to choose his advisors and assistants. It may also partly be because the new minister is much less receptive to, and knowledgeable about, technical assistance projects than his predecessors.

### **MANAGEMENT**

The model of a Georgian unit with an expatriate advisor was highly effective at gaining real influence and respect within the Ministry. However, budget stringencies and the need to address a great many complex issues simultaneously with limited staff posed problems. In particular, asking the expatriate advisor to simultaneously act as chief strategist, project diplomat, staff technical trainer and principal administrator led to a situation where too much depended on him. Although it is natural that the need for administrative staff should be questioned, it would certainly make sense in the future to provide both more short-term expatriate support, perhaps on a “recurring guest star” basis to leverage knowledge of the country and the unit previously gained, to provide better analytic training and guidance, and to provide a part-time manager to deal with some of the burden of administration.

### **EVALUATION OF PROJECT ACTIVITIES**

As the many short renewals in its history showed, USAID was never totally committed to the importance of the policy activity. This is not surprising, as such activities are hard to evaluate. However, the subordination of a “work with the government” project to a USAID office committed to private sector development meant that that office’s management was not predisposed to understand the project’s tasks or its difficulties, nor adequately prepared to judge it. Better reporting from the project would surely have helped, but comments by the CTO made clear that USAID management often was unable to adequately digest the many pieces of information it did receive. Administrative

reform in a sectoral agency is a case of “the devil is in the details,” and the project never entirely succeeded in communicating its wealth of detailed knowledge to its funding agency.

## **COORDINATION WITH OTHER DONOR PROJECTS**

By contrast, other donors, particularly the European Union and the World Bank, repeatedly and publicly praised the RAPA project because it was continuing, had detailed knowledge of the issues, and could be counted on to work with them to achieve common objectives.

## **POLITICAL WILL**

The present Georgian government remains very poorly institutionalized and dependent on the whims of top leaders. Agricultural policy has become more like structural administrative reform issues in that it is now largely determined at levels higher than that of the Ministry of Agriculture. Moreover, the problems of lack of attention to the sector described at the beginning of this report persist. It is clear that a policy advice project works well only when the management of its counterpart understands its value and supports it. It is less clear that that support is sufficient if higher levels of the government do not share that understanding and assessment, as they did not before the Rose Revolution and seem not to entirely do now.

## ANNEX 1.

### PROJECT STAFF

Last name	First name	Position	Hire date	End date
Van Atta	Don	Chief of party	12/14/2000	12/30/2000
			2/3/2001	6/30/2005
Mikeladze	Ekaterina	translator-RA	2/6/2001	2/28/2001
Tivadze	Tinatin	office manager	2/20/2001	9/12/2003
Beridze	David	driver	2/26/2001	6/30/2005
Kurdovanidze	Giga	outreach coordinator	2/27/2001	6/30/2005
Gabelia	Natia	translator	3/5/2001	12/31/2003
Margania	Lika	lead translator	3/12/2001	10/2/2003
		Contract translator	10/2/2005	6/30/2005
Bibiluri	Vasili	computer systems admin	3/6/2001	6/30/2005
Didebulidze	Alexander	senior analyst	4/2/2001	3/6/2004
Babunashvili	Maka	press analyst	3/20/2001	6/30/2005
Otarashvili	Ekaterina	senior lawyer	3/26/2001	2/18/2002
Korakhashvili	Bidzina	senior analyst	3/21/2001	6/30/2005
Chigladze	Otar	auditor	3/27/2001	6/30/2005
Shavgulidze	Rati	analyst	4/17/2001	6/20/2002
		analyst	9/3/2002	9/29/2003
Dangadze	Giorgi	lawyer	4/12/2001	6/30/2005
Misheladze	Giorgi	Internal Control Unit	7/30/2001	11/5/2004
Inashvili	Irakli	Internal Control Unit (terminated)	7/30/2001	9/17/2004
Managadze	Giorgi	lawyer	8/1/2001	6/30/2005
Arveladze	Rusudan	translator	7/31/2001	6/30/2005
Gikoshvili	Akaki	lawyer	10/2/2001	3/21/2002
Matiashevili	Mamuka	senior lawyer	10/18/2001	6/30/2005
Khundadze	Levan	financial analyst	10/17/2001	6/30/2005
Shengelia	Keti	administrative assistant	10/1/2001	6/18/2004
Basishvili	Lisa	translator	10/15/2001	12/31/2003
Kemkhadze	Sophie	financial analyst	12/1/2001	11/2/2003
		senior analyst	11/3/2003	3/28/2005
		deputy chief of party	3/29/2005	6/30/2005
Mchedlishvili	Jeko	financial analyst	12/1/2001	9/30/2004
Tabatadze	Vazha	RAE head	1/1/2002	9/9/2004
Tskhvaradze	Dato	guard	1/19/2002	6/30/2005
Tsirekidze	Koba	guard	1/19/2002	6/30/2005
Lipartiani	Natia	statistical assistant	3/14/2002	8/30/2005
		office manager	9/1/2003	6/30/2005
Chigladze	Vasili	Internal Control Unit	3/19/2002	4/28/2005
Amirejibi	Nutsa	translator	3/25/2002	6/30/2005
Beradze	Nino	translator	3/20/2002	6/30/2005

Janashvili	Tiko	translator	5/17/2002	6/30/2005
Donjashvili	Irakli	Internal Control Unit	5/22/2002	4/28/2005
Iakobidze	Avtandil	lawyer	5/20/2002	6/30/2005
Giorgadze	Larry	guard	9/2/2002	6/30/2005
Makharadze	Koba	web designer	9/23/2002	9/3/2004
Bregvadze	Zurab	translator	12/7/2002	8/1/2003
Tvildiani	Giorgi	guard	3/31/2003	6/30/2005
Magalashvili	Teimuraz	English instructor	4/1/2003	6/30/2005
Tsuladze	Nana	analyst	5/8/2003	6/30/2005
Shubladze	Ana	data specialist	9/5/2003	6/30/2005
Zedgenidze	Tamuna	lawyer/procurement specialist	7/12/2004	6/30/2005
Asatiani	Rezo	Internal Control Unit	10/26/2004	3/28/2005
Toradze	Guliko	office cleaning	4/1/2001	6/30/2005
Japardize	Janna	office cleaning		6/30/2005
Gogolashvili	Dato	Georgian teacher	2002	2003
Shengelia	Timur	maintenance	4/1/2002	6/30/2005
Bejashvili	Levan	Parliamentary reporter	2/1/2003	10/2004
Korakhashvili	David	Parliamentary reporter	7/1/2004	6/30/2005
Goruli	Gogutsa	Parliamentary reporter	8/1/2004	6/30/2005
Makhatadze	Tata	Contract translator	3/12/2003	12/2003

## **ANNEX 2.**

### **MINISTER OF AGRICULTURE SVIMONISHVILI'S LETTER TO STATE MINISTER BENDUKIDZE ON THE MINISTRY'S MEDIUM-TERM PRIORITIES**

NO. 1-1-8/73

24.02.05

To: Mr. Kakha Bendukidze  
State Minister of Georgia For Coordination of Reforms

Re: Your Letter No.2/50

Dated 15.02.2005

#### **MEDIUM-TERM PRIORITY REFORMS TO BE EFFECTED BY THE MINISTRY OF AGRICULTURE**

Dear Mr. Bendukidze,

The Ministry of Agriculture of Georgia, the mission of which is to increase agri-food sector income in accord with the principles of sustainable development, to ensure the country's food security and to alleviate rural poverty, sets the following objectives for 2005-2007:

- Stable growth of incomes of the rural population through increased efficiency of agricultural production, improved services and renovated infrastructure;
- Protection of consumers' interests and health through efficient regulation and information distribution and intensified efforts against adulteration;
- Assurance of the country's food security;
- Fostering creation of job opportunities in rural areas;
- Promotion of modernization of processing enterprises;
- Stimulation of rural infrastructure development;

- Improvement of regulatory functions to approximate to the best international practices and comply with internationally recognized standards;
- Boosting the development of the agricultural land market and consolidation of agricultural land;
- Encouragement of production of ecologically sound and organic agricultural products;
- Assistance to farmers' input supply and marketing cooperatives.

In order to attain the above-listed objectives, it is planned to carry out a number of reforms in 2005-2007 for general management and structure optimization, as well as further improvement of specific functions and increase of their efficiency. The annual time frame of the reforms is given below. It is noteworthy that it is planned to commence implementation of reforms in 2005, although due to the complexity or the need of legislative changes in a number of cases, some of the reforms probably will be completed before the end of 2007.

## **1. OPTIMIZATION OF THE MINISTRY'S STRUCTURE AND MANAGEMENT**

- (i) Reorganization, structural and staff optimization of the Ministry's Apparatus and the services within its system;
- (ii) Transferring Ministry services currently funded from the local budgets to funding from the central budget;
- (iii) Centralization of human resources management;
- (iv) Improvement of financial management; introduction of medium term planning and its efficient implementation;
- (v) Ensuring the efficient operation of the Internal Control Unit;
- (vi) Strengthening capability for policy and economic analysis, and formation of the appropriate structural units;
- (vii) Regulation of the question of labor remuneration for the staff of the Ministry's system, both on central and district levels;
- (viii) Development and enactment of continuous rotation schemes for improving the skills of personnel within the Ministry's system.

## **2. REHABILITATION, MODERNIZATION AND PRIVATIZATION OF AGRICULTURAL INFRASTRUCTURE. FOSTERING THE DEVELOPMENT OF THE AGRICULTURAL LAND MARKET AND CONSOLIDATION OF AGRICULTURAL LAND PLOTS**

- (i) Supporting the creation of water users associations for the purpose of privatization of secondary and tertiary irrigation and drainage canals;
- (ii) Encouraging the establishment of private service and leasing centers;
- (iii) Furthering the rehabilitation [and development] of private seed producing farms and the formation of regional seed stocks;
- (iv) Promoting the creation of a licensed distribution network for pesticides, fertilizers and other agricultural inputs;
- (v) Separating the regulatory function of the Cattle Breeding Department from its production functions in order to further privatize the latter; keeping the record of the varieties; developing and putting into effect a licensing system for breeding stations.

## **3. ENSURING FOOD SAFETY**

- (i) Developing the Law on Food Safety, its review by the Government and submission to Parliament for passage;
- (ii) Establishment of a single Food Safety Agency on the basis of the Border-Transport Veterinary-Sanitary Supervision Administration of the Veterinary Department, the Food Products Expertise and Monitoring Service and Agricultural Products and Flour Quality Inspection of the Ministry;
- (iii) Development and putting into force of procedures of food safety inspection; training of the appropriate personnel;
- (iv) Improvement of border control and ensuring its operation in compliance with international requirements;

- (v) Resolving the question of laboratories in accordance with the Law on Food Safety; inventory of the existing laboratories, assessment of lab services and expertise and, based on this assessment, ascertaining the optimal number of laboratories within the Ministry's system; supporting laboratories for receiving international accreditation (pursuant to ISO 17025) in order to ensure international recognition of the results of their analyses; particular attention will be paid to encourage foundation and development of the reference laboratories;
- (vi) Increase entrepreneurs' awareness of the new requirements introduced by the Law on Food Safety;
- (vii) Integration of Georgia into regional and international systems for information exchange and risk communication; Initiation of the development of a regional information network;
- (viii) Use of scientific capability in the food safety system; ensuring retraining of scientists for risk assessment purposes;
- (ix) Introduction and dissemination of *Codex Alimentarius* principles and approaches.

#### **4. REORGANIZATION OF THE VETERINARY DEPARTMENT; ANIMAL HEALTH AND PLANT PROTECTION**

- (i) Ensuring epizootic safety in the country;
- (ii) Supporting the implementation of amendments made to the Law on Veterinary Medicine in 2004; further refinement of the legislative base and elaboration of the relevant legislation in accord with best world practice;
- (iii) Segregation of animal health-related and food safety functions within the Veterinary Department;
- (iv) Support for of private veterinarians and appropriate state supervision of them;
- (v) Development and enactment of certification procedures for veterinarians;

- (vi) Transferring of the Veterinary Department services funded from local budgets to the central budget;
- (vii) Continuation of the process of privatization of veterinary labs located in the veterinary units, markets and fairs (bazrobas);
- (viii) Modernization of [any?] remaining state-owned laboratory network in accordance with the world standards;
- (ix) Updating of the state catalogue of pesticides (means of plant protection) and fertilizers allowed in Georgia;
- (x) Organizing information campaigns for farmers to provide them with information on means of combating epizootic diseases and protecting plants and to avoid potential risks.

## **5. ENCOURAGEMENT OF AGRICULTURAL PRODUCTION AND SALES**

- (i) Development of Laws on New Plant Varieties and Protection of Breeders' Rights;
- (ii) Simplification of procedures for introduction of new plant and animal varieties in Georgia, their harmonization with EU and international requirements;
- (iii) Creation of a unified service on the basis of the Testing Inspection of Selection Achievements and Quality Inspection of Seeds and Planting Materials under the structure of Phytosanitary Service;
- (iv) Participation in development of agricultural credit programs;
- (v) Efficient use of WTO mechanisms to protect local markets, stimulate production encouragement and enhance export opportunities;
- (vi) Information support [agricultural extension] to farmers and producers to increase new opportunities for efficient production, advanced technologies and new varieties;
- (vii) Taking information, regulatory and other measures for regaining lost export markets and finding new ones;
- (viii) Promotion of certified organic agriculture.

## **6. STIMULATION OF THE PROCESSING SECTOR AND JOB CREATION**

- (i) Development and dissemination of state programs and other mechanisms to give a first impetus to creation of processing enterprises and providing privileges for them;
- (ii) Promotion of good manufacturing practices;
- (iii) Approximation of the legislative and regulatory base with the European one, making Georgian export production recognition and marketing possible;
- (iv) Fostering introduction and dissemination of Food Safety (HACCP) and Quality (ISO) Standards;
- (v) Ensuring protection of trade, commodity and place of origin marks (including products made outside the boundaries of Georgia).

## **7. INFORMATION AND EXTENSION FOR FARMERS AND AGRICULTURAL ENTREPRENEURS**

- (i) Develop a strategy for agricultural extension;
- (ii) Creation of an extension service; involving the Ministry's district administrations in farmers consultancy and extension; development of the appropriate legislation;
- (iii) Formation of a marketing information center and preparation of quarterly information bulletins;
- (iv) Providing farmers with information on new varieties, technologies, etc.
- (v) Stimulation of the creation and development of private extension centers;
- (vi) Research on market opportunities.

*Sincerely yours,*

*Mikheil Svimonishvili*

*Minister*

*Translated By Nutsa Amirejibi*

*February 28, 2005*

*Edited by Don Van Atta*

*March 1, 2005*

## **ANNEX 3.**

# **REPORT ON THE WORK OF THE MINISTRY INTERNAL CONTROL UNIT**

**Gia Kobakhidze**

## **REPORT**

April 2004

*The Internal Control Unit* was established in August 2001. The Terms of Reference of this Unit were determined as follows:

1. Control over structural sub-units and public officials of the Ministry of Agriculture and Food of Georgia as well as obtaining related official materials;
2. Ensure revealing of facts of violation (economic -financial, administrative and violations in other fields) while functioning of the sub-units under the system of the Ministry; presentation of particular proposals to the Minister upon exertion of control and development of appraisal;
3. Appropriate response towards the violations revealed by the controlling bodies and presentation of the relevant proposals to the Minister for consideration. Drafting of relevant act or notification on inspection results, responsibility over correctness and accuracy of which is undertaken by the corresponding responsible person of the Unit.

The Unit is substantially supported by the USAID/DAI project: "Restructuring Assistance and Policy Advice to the Minister of Agriculture of Georgia", headed by Mr. Van Atta. I would like to express my profound gratitude towards Mr. Van Atta. Through his support, it became possible to hire highly qualified lawyers and financial analysts, which were working for the Internal Control Unit from the very beginning.

It is also noteworthy, that we could neither visit different districts of Georgia nor obtain precise information without assistance of the Project.

I would like to focus your attention on several facts investigated by the Internal Control Unit.

Legal and economic issues of the Fund "Soflis Aghordzineba 97" ("Rural Revival 97") and Union (Association) "Soflad Sportis Aghordzineba" ("Revival of Sport in Rural Areas") were investigated. These organizations were inserted into curatorial sphere of one of the Deputy Ministers while the period when Bakur Gulua headed the Ministry. It turned out, that these organizations had absolutely no relations with the Ministry of Agriculture and Food of Georgia except the friendship between their managers and Minister Gulua. Consequently, the Fund "Soflis Aghordzineba 97" and Union (Association) "Soflad Sportis Aghordzineba" were excluded from the structure of the Ministry of Agriculture and Food of Georgia.

The Ministry got information that in Kvareli, "Mukhiani" Ltd. 13 200 deciliters of stored brandy alcohol, being under the state property, were illegally sold. The Unit investigated the matter and determined: in order to implement Presidential Instruction number 323 /June 23, 1997/, on July 12,

1998, a contract was concluded between "Samtresti" (Department under the Ministry of Agriculture and Food of Georgia) and "Mukhiani" Ltd on storage of brandy, brandy alcohol and wine materials, being under the property of state. Afterwards, in 2001, the Head of Taxation Inspection of Kvareli, A. Shavgulidze, investigated the taxation matter of "Mukhiani" Ltd and determined, that its arrears towards the budget totaled to GEL 145 000. He knew that "Mukhiani" Ltd stored high value production. On the basis of delivery-accept act /March 4, 2001/, Shavgulidze, with the owner's right, received the following ownerless property from "Mukhiani" Ltd: wine materials - 80 683 deciliters, brandy "Mukhiani" - 35 300 deciliters, and brandy alcohol - 13 730 deciliters. Later on, according to written requests of the Taxation Department, state property was sold at scanty prices. One deciliter of the brandy alcohol was sold at GEL 1,5 and 2 200 deciliters were even sold at 93 tetri (documented), although the market price of the deciliter of the mentioned alcohol equaled to GEL 3 during that period. Income generated upon the sale was transferred to settle the budgetary liability of the private organization.

The relevant written information was sent to the Anti-corruption Bureau and General Prosecutor's Office. The criminal suit was filed against A. Shavgulidze and Directors of "Mukhiani" Ltd. The relevant article was published on the first page of "Sakartvelos Respublika" ("Republic of Georgia") newspaper. Finally, the state received back GEL 128 000. The Prosecutor's Office forced "Mukhiani" Ltd to pay this amount. However, according to our calculations, the payables of "Mukhiani" Ltd should have been higher. We submitted the appropriate written statement to the Prosecutor's Office, although, irrespective of our repeated reminders, they made no comments.

After revealing the violation in "Mukhiani" Ltd, the Minister assigned us to present information about brandy, brandy alcohol and wine materials being under the state property. We visited all districts where the mentioned stocks were stored. Upon inspection, lack of 8700 deciliters of brandy alcohol was observed in "Vazi" ("Vine") Ltd. The relevant information was submitted into the Prosecutor's Office on July 7, 2002.

We addressed the Prosecutor's Office in regard with "Chikhura" Ltd, the Director of which declared that his own facsimile on the agreement was counterfeited. The Prosecutor's Office recommended us to file a claim into the court, which was done.

The case regarding "Isabela" Ltd was brought to the Prosecutor's Office as well.

Upon preparation of our appraisal, Presidential draft Instruction was developed within the Ministry on future use of brandy, brandy alcohol and wine materials being under the state property.

The Internal Control Unit of the Ministry of Agriculture and Food of Georgia investigated "Abibo Nekreseli" Ltd. We observed, that the state property was plundered there. On May 8, 2002, the General Prosecutor's Office received a relevant letter requiring appropriate reaction.

The state breeding reproductive unit of bee keeping of Mtskheta was also inspected. The following violations were revealed: state property was not recognized in income component, surplus/deficit of tangible assets were copied-off into loss. On May 5, 2002 the materials were submitted to the General Prosecutor's Office of Georgia.

The conditions within veterinary district of Tsavkisi village /Gardabani district/ was also inspected. The documents were sent to the regional Prosecutor's Office of Kvemo Kartli.

In regard with plunder of pipelines being under the balance of district administrations of Amelioration System Management Department, the Internal Control Unit managed to obtain information presented

below, which was submitted into the General Prosecutor's Office of Georgia, the Ministry of Internal Affairs of Georgia and Anti-corruption Bureau. After revolution of November 23, 2003, the investigators from the General Prosecutor's Office visited the Ministry and asked us to re-send them these materials.

From July 2001 through October 2002, in Dedoplistskaro, more than 3000 tons of iron pipes were plundered. During this period, the relevant written notification was sent by the Head of Amelioration Systems Administration of Dedoplistskaro to the district Prosecutor's Office (six times), Gamgebeli (five times) and the Police (twice). In the written notification, Head of Amelioration Systems Administration of Dedoplistskaro named the criminals and LTDs and indicated the state numbers of the transportation means (including wagons), which shipped pipes from Dedoplistskaro. Irrespective to the measures undertaken, no one was arrested due to plunder in the district.

From 2000, the Head of Amelioration Systems Administration of Signaghi sent written notification to Gamgebeli and Head of the Police four times, where he indicated that 1000-milimeter pipe with 3 kilometers of length was illegally withdrawn; pumping station pumps and locks were plundered along with 400- and 500-milimeter-pipes in Jugaani village, but there was no reaction from the relevant services.

Head of Amelioration Systems Administration of Tashiskari (Khashuri) twice informed the district Gamgebeli in writing, once - the Prosecutor's Office and ten times - the Police about appropriation of the pipes on their balance. Personalities of the criminals are identified in the letters. Despite this, nobody has reacted to these facts.

Head of Amelioration Systems Administration of Kareli district informed in writing Tengiz Chikvaidze, a Chairman of the Department, about the fact that on May 26 2002, Individual Enterprise "Triumph" dismantled #1 pressing pipeline streaming out of the pumping station (which is under the balance of the Administration) of the mechanical irrigation system of "Malkhazis Tsveri". This enterprise had concluded an agreement with Individual Entrepreneur "Nikoloz Kobaidze". This latter, in his regard, had concluded an agreement with Property Management Division of Kareli district, though, Amelioration Administration had given no consent for this. On the basis of the documents that we possess, the following is cleared up: Deputy of the Parliament of Georgia from Kareli district Albert Induashvili and Head of Property Management Division of the same district addressed the Ministry of Property Management in writing on 22.05.2002 to write off the main assets under the balance of Amelioration Systems Administration of Kareli district, though they did not have consent of the Administration for that. Head of Property Management Division A. Ananaiashvili did not wait for the response to the letter dated June 21 this year (signed by Deputy Minister of Property Management Zurab Garakanidze, who considers enrollment of the object into the privatization list expedient) and maybe, did not care at all, as ten days before sending the letter, on May 10, there existed an agreement concluded with the mentioned organizations about withdrawal of the pipes and Individual Entrepreneur "Nikoloz Kobaidze" had already deposited GEL 1000 into the bank on the account of Property Management Division on May 14. Chairman of Amelioration Systems Management Department Tengiz Chikvaidze informed the Minister of Property Management, Presidential Representative to Shida Kartli region, District Prosecutor's Office of Shida Kartli, Kareli district Gamgeoba and Prosecutor's Office about these facts in writing on May 30. As a result, withdrawal of the pipes was temporarily suspended, followed by the Order #1-3/458 dated June 28 of the Ministry of Property Management "About Privatization of Separate Constructive Elements of the Objects of Mechanical Irrigation Systems of "Malkhazis Tsveri" and Building Materials". Though nobody recalled of Amelioration Department's opinion regarding this fact (considered by the charter approved with the Order #1-3/77 dated 12.02.01 of the Ministry of Property Management) in the Ministry of Property Management. After the order dated June 28 became known for everybody,

firstly, the Chairman of Amelioration Systems Management Department and then Deputy Minister of Agriculture and Food Giorgi Tkeshelashvili informed the Ministry of Property Management about inexpediency of partial privatization of mechanical irrigation system of “Malkhazis Tsveri” (e.g. tiles for roofing the building were sold, while the walls still remained under the balance of the Administration). This opinion was not shared; on the contrary, the statement about privatization of the object was not yet published, when the Head of Property Management Division of Kareli district had already resumed dismantlement of the pipes on the basis of the Order #21 dated June 1, which is also confirmed by the letter #77 dated 05.07.2002 of district Gamgebeli T. Razmadze).

We informed the Anti-corruption Bureau, General Inspection, Ministry of Internal Affairs and Presidential Representatives about all the mentioned above.

During inspection of State Inspection of Phytosanitary (Chamber of Control and Internal Control Unit were conducting inspection together), working in the Internal Control Unit became dangerous. When we came to carry out inspection, Gurchiani met us with a dagger in his hands and categorically objected to participation of Internal Control in the inspection. Including the threats to the controllers and their families, windows of the Minister’s house were also broken, the Ministry building was shot, telephone calls with threats were heard, but the Inspection Team still managed to accomplish the started work. As a result, Robert Gurchiani was dismissed and the “empire” of his clan broke up. The Service was operating as this clan wished. They were so impudent that established tariffs individually (by themselves) on the state border neglecting all the procedures and laws. They paid no attention to the laws and had documentary hired four people per one position. So, you can imagine how many employees of phyto-sanitary stood in the border point.

Internal Control examined expediency of spending the budgetary funds received by the Amelioration Department. It turned out that whole range of administrations on places conducted purchases through violation of the Tax Legislation (without tax invoices). As a result, it was impossible to receive back the extra VAT paid into the budget (these funds are exempted from VAT), which, in total, throughout the Department, constituted about GEL 400 thousand). Due to our efforts, this problem was resolved and letters were sent to the district Tax Inspections about return of the extra paid funds, also Heads of Kaspi, Kareli, Tirifoni-Saltvisi, Kekhvivanati, Tashiskari, Rioni-Choloki, Zemo Alazani-Naurdli Amelioration Administrations received warnings.

- External Quarantine Administration of Plant Protection Service was examined once again. Violations were observed in the border points. As a result, 6 employees were dismissed, 10 employees received a warning.
- Receipt and distribution of bio-preparations in Veterinary Department was examined and a lot of violations observed. Referring to this, First Deputy Chairman of the Department and seven responsible people received a sharp rebuke; their three-month salary was deducted.
- Application of the forms #1 and #2 was inspected in the Veterinary Department, also operation of the laboratories in markets and bazrobas. It turned out that 2000 forms #2 were lost, which were fixed in the markets. Also, corrected forms were found as well. A board meeting was convened in the Veterinary Department as a result and decision about dismissal of number of employees made (20 managers of district laboratories were dismissed, 5 - degraded, 21 - received a warning).
- The issues developed in the letter of the Chairman of the Union of Georgian Vine growers and Winemakers regarding “Samtresti” were also examined. As a result, Director General of “Samtresti” received a sharp rebuke.

Internal Control inspected receipt, storage and selling of the wheat donated by the US government. The related information was sent to the Tax Department, Ministry of Security and Agency for Purchases.

Translated by:  
*Tiko Janashvil and Rusudan Arveladze*  
April 11, 2005

## **ANNEX 4.**

### **AVTANDIL IAKOBIDZE'S REPORT OF HIS WORK WITH PLANT PROTECTION SERVICE**

Work done in the Plant Protection Service of the Ministry of Agriculture and Food of Georgia

Avtandil Iakobidze

28 April 2005

The situation in the Plant Protection Service in June 2002:

Based on the Instruction No. 255 of the President of Georgia dated 23 May 2002 "About Amendments to the Instruction No. 670 of the President of Georgia dated 17 November 1997 "About Charter of the Ministry of Agriculture and Food of Georgia", the Plant Protection Service was reorganized and a new charter and a staff schedule of the Service were approved requiring implementation of several important measures related to reorganization, specifically:

1. First of all, it became necessary to register material-technical base that was transferred to the Plant Protection Service. Therefore, an Inventory Commission was created with the Order of the Plant Protection Service Head that registered material-technical base being in use earlier by the Plant Protection Service and the State Phytosanitary Quarantine Inspection and the Republic Station of Plant Protection prior to reorganization. Inventory was also done.
2. The areas of responsibility for parts of the Service of the First Deputy Head and Deputy Head of the Plant Protection Service were legally defined.
3. As a result of reorganization, the State Phytosanitary Quarantine Inspection and the Republic Station of Plant Protection were consolidated into a single system of the Plant Protection Service, and, therefore, seals and stamps provided to the subordinated structural units (inter-regional plant protection stations of the Republic Station of the Plant Protection and border points and terminals of the State Phytosanitary Quarantine Inspection) were taken from them according to the Order of the Plant Protection Service Head. Working stamps of border points of the Foreign Quarantine Administration of the Plant Protection Service has been approved and enforced for use.
4. Uniforms for the Plant Protection Service employees were introduced. These forms were purchased based on the Law of Georgia "On State Procurements".
5. As registration of phytosanitary documentation being in the Plant Protection Service until now had not been regulated, also with the purpose to complete the documentation regarding reorganization of the said Service and required to provide phytosanitary service, old documentation had been withdrawn and new working documentation (Phytosanitary Certificate, Inspection Act of Sub-quarantine Cargo Transport, Quarantine Permit for Shipment and Marketing within Georgia, Re-export Phytosanitary Certificate, Quarantine Expertise Certificate) was approved with the Order of the Service Head. This led to eradication of the danger that the state inspectors use this documentation illegally.
6. Issues concerning execution of the Law of Georgia "On Agricultural Quarantine" and activity of the Plant Protection Service were discussed at a committee hearing of the Agrarian Committee of

Georgia on November 12, 2002. The Committee evaluated the work of Foreign Quarantine Administration of the Plant Protection Service as not satisfactory and determined that customs and border points of the Administration should have been staffed within the existing personnel but not with the employees hired on the contract basis. This is prohibited by the Law of Georgia "On Civil Service". Therefore, it became necessary to optimize the personnel of the Plant Protection Service. Contracts were not extended to any of those employers of the Foreign Quarantine Administration hired on the contract basis. At the same time, on the basis of the Article 101 of the Law of Georgia "On Civil Service", all pensioners (57 full time positions) were dismissed; so were all accountants (20 full time positions) employed in the inter-regional units of the Republic Station of Plant Protection as well. Border Points of the Foreign Quarantine Administration basically staffed those produced vacancies. In accord with the Order of the Minister of Agriculture and Food of Georgia dated February 28, 2003 "On Approval of the Staff Schedule of the Plant Protection Service of the Ministry of Agriculture and Food of Georgia", a new staff schedule of the Plant Protection Service was approved.

7. On the basis of Article 19 of the Law of Georgia "On State Budget of Y2003 of Georgia", there was 20 percent staff reduction in the Service. Therefore, according to the Law of Georgia "On Civil Service", a Commission has been created in the Service, which elaborated the list of civil servants to be reduced (59 full time positions). These employees were notified on anticipated staff reduction. Since May 31 of 2003 they had been considered as dismissed. Staff reduction was basically made at the expense of the Phytosanitary Control, Monitoring and Internal Quarantine Divisions of the Plant Protection Service.

8. On the basis of the Law of Georgia "On Civil Service" total 140 employees were dismissed from the Plant Protection Service in 2002-2004. Out of 140, one employee (G. Khatiskatsi) has been restored on the basis of the Vake-Saburtalo District Court Decision. Afterwards, this particular employee appealed the Circuit Court Decision in the Supreme Court. The latter left the Circuit Court Decision concerning dismissal of G. Khatiskatsi into force. The court dispute regarding dismissal ended up with negotiation in the Vake-Saburtalo District Court with the citizen T. Gotsadze's attorney, in favor of the Plant Protection Service with the condition that T. Gotsadze would be employed (provided with the job) at the first opportunity.

9. The Law of Georgia "On Fees for Quarantine Service" has been put in force since June 18, 2003. This Law determines the tariffs of fees for quarantine service. By the Order of the Plant Protection Service Head, a special group has been created with this purpose. The Group was systematically visiting customs and border units and instructing the state inspectors on the right use of determined tariffs. Regarding enforcement of the Law, I visited the border and customs units with the employees of the Plant Protection Service and had been instructing the state inspectors with them on use of tariffs determined by the Law of Georgia "On Fees for Quarantine Service".

10. With the purpose to study phytosanitary-quarantine activities provided by the employees of the border units of the Foreign Quarantine Administration, units and inter-regional points in customs terminals, a Revision Commission studying the phytosanitary-quarantine activities of the Foreign Quarantine Administration was created on the basis of the Order of the Plant Protection Service Head. The Commission has been systematically inspecting the activity done by the Foreign Quarantine inspectors and accuracy of the use of the Law of Georgia "On Fees for Quarantine Service". It revealed misfeasance by several employees as well as amounts not withdrawn in favor of the budget. Some of the lawbreakers were dismissed and specific amount of money was withdrawn from them in favor of the budget using compulsory measures.

11. A new draft charter of the Service has been prepared in the Plant Protection Service. The Charter provides for the following: 1. Unification of the Pesticides Biological Testing, Expertise and Registration Department and Control Department of Pesticides Distribution and Use and optimization

of existing staff in both departments. 2. Unification of laboratories spread in different structural units and establishment of a single central laboratory. 3. Annulment of inter-regional points under the Foreign Quarantine Administration (total 30 full time positions) and their movement into the Phytosanitary Control, Monitoring and Internal Quarantine Department. As a consequence of the latter, this Department was to have been completely reorganized and 50 full time positions were to have been identified. A draft staff schedule of the Plant Protection Service was prepared at the same time. Number of full time positions was specified as 175.

*Translated by **Nino Beradze**  
7 May 2005*

## ANNEX 5. MINISTRY RESTRUCTURING COMMISSION RESULTS

### Results of the Meetings of the Restructuring Coordination Commission Of the Ministry of Agriculture and Food

Compiled by Bidzina Korakhashvili  
April 2004

No.	Name of the Organization	Assignments	State Of Fulfillment
1.	Amelioration Systems Management Department	The agency is to remain under the Ministry's subordination	+
2.	Fishery Department "Saktevzi"	"Saktevzi" is to remain as a separate agency under the Ministry's subordination (Minutes No.11 dated 06/11/2003)	
3.	State Department of Mineral and Fresh Waters "Sakminkhiltskali"	The agency is to remain under the Ministry's subordination (Minutes No.11 dated 06/11/2003)	
4.	Animal Breeding Department	On the basis of the Animal Breeding Department, the relevant agency is to be formed within the Apparatus of the Ministry. Functions of this agency are to be determined in accord with the Charter elaborated on the basis of the EU Regulations (Minutes No.9 dated 05/08/2003)	
5.	Quality Inspection of Agricultural Products and Flour	The functions of the Quality Inspection of Agricultural Products and Flour are to be distributed among the agencies with the similar functions (No.9 dated 05/08/2003)	
6.	State Quality Inspection of Seeds and Planting Materials	State Quality Inspection of Seeds and Planting Materials is to remain as a separate unit and it is to be moved to the private sector the next year (Minutes No.12)	
7.	Amelioration Inspection	Amelioration Inspection is to be eliminated and the corresponding division is to be established in the Department of Agricultural Production Services (Minutes No.8 dated 04/24/2003)	
8.	Food Products Expertise and Monitoring Service	This service is to remain within the Ministry's subordination	+
9.	Testing and Protection Commission of Selection Achievements	"Sakjishcentri" is to merge with Testing and Protection Commission of Selection Achievements (Minutes No.12)	
10.	Plant Protection Service	The service is to remain under the Ministry's	

		subordination	
11.	Agri-chemical and Soil Fertility Service	The service is to remain under the Ministry's subordination	+
12.	Agricultural Biotechnology Scientific-Research Center	Agricultural Biotechnology Scientific-Research Center is to be transferred to the Academy of Sciences with its own funding (Minutes No.5 dated 09/24/2003)	
13.	Winter Pastures and Cattle Movement Unit	Winter Pastures and Cattle Movement Unit is to move to the subordination of the Veterinary Department	
14.	Ajara Pastures Administration	Ajara Pastures Administration is to move to the Ministry of Agriculture and Food of the Ajara Autonomous Republic (Minutes No.7 dated 04/16/2003)	
15.	Coordination Center of Sericulture "Silk House"	Coordination Center of Sericulture "Silk House" is to remain under the Ministry's subordination (Minutes No.11 dated 06/11/2003)	
16.	Technical and Ecological Scientific-Research Center of Georgia	Technical and Ecological Scientific-Research Center of Georgia is to merge with Biotechnology Scientific and Research Center of Georgia	+
17.	Trial Station of Agricultural Machinery	Trial Station of Agricultural Machinery, Material and Technical Supply Main Administration and Main Administration of "Saktekzedamkhedveloba" Inspection are to be merged and a new agency is to be formed on their basis (Minutes No.6 dated 03/24/2003)	+
18.	Material and Technical Main Administration	Trial Station of Agricultural Machinery, Material and Technical Supply Main Administration and Main Administration of "Saktekzedamkhedveloba" Inspection are to be merged and a new agency is to be formed on their basis (Minutes No.6 dated 03/24/2003)	+
19.	Main Administration of "Saktekzedamkhedveloba" Inspection	Trial Station of Agricultural Machinery, Material and Technical Supply Main Administration and Main Administration of "Saktekzedamkhedveloba" Inspection are to be merged and a new agency is to be formed on their basis (Minutes No.6 dated 03/24/2003)	+
20.	Vine and Wine Department "Samtresti"	The agency is to remain under the Ministry's subordination	+
21.	Center For Protection of the Plant Breeders' Rights of Georgia – "Sakjishcentri"	"Sakjishcentri" is to merge with the Testing and Protection Inspection of Selection Achievements (Minutes No.12)	
22.	Veterinary Department	The agency is to remain under the Ministry's subordination.	+
23.	The Apparatus of the Ministry		+
24.	Technical and Ecological Scientific-Research Center of Georgia	Technical and Ecological Scientific-Research Center of Georgia is to be transferred to the Academy of Sciences (Minutes No.5 dated 09/24/2003)	

***Translated By: Nutsa Amirejibi***  
***January 23, 2004***

## ANNEX 6.

### GEORGIA MINISTRY OF AGRICULTURE SYSTEM LABORATORIES

Compiled by Bidzina Korakhashvili  
December 2004

No.	Department	Name of Enterprise	License	Laboratory	Name and Location
1	Food Products Expertise and Monitoring Service			Central Expertise and Testing Laboratory of Food Products of the Food Products Expertise and Monitoring Service under the Ministry of Agriculture	Theimuraz Chelidze Tbilisi, 5 Mindeli Str. 321435; 322384 899 271775
2				Central Expertise and Testing Laboratory of Food Products of Adjara Service for Expertise, Monitoring and Licensing of Food Products under the Ministry of Agriculture of Adjara Autonomous Republic	Zaur Gorgiladze Batumu, 46 Gogebashvili Str. 75120; 899566538
3	"Samtresti"	JSC "Bagrationi - 1882"	N 000I 20 IO 2003	Available	I. Gegeshidze Therjola, 14 Iashvili Str.
4		"Vazi", Ltd.	N 0002 20 IO 03	Available	B. Khalvashi Mtskheta, Zahesi 899 54 96 56
5		"Zabiti Tanets", Ltd.	N 0003 22 IO 03	Agreement with norm	Telavi, 42 Mshvidoba Str.
6		"Tela vi Wine Sellar", Ltd.	N 0004 22 IO 03	Available	D. Maisuradze Telavi, Village Kurdghelaure 899 50-77-10
7		"Corporation Georgian Wine", Ltd.	N 0005 22 IO 03	Available	L. Archvadze Telavi, Village Tsinandali 899 50-70-97
8		"Khirsu XXI", Ltd.	N 0006 24 IO 03	Available	L. Tabatadze Signagi District, Village Khirsu
9		"Georgian Wines", Ltd.	N 0007 24 IO 03	Available	D. Toburidze Khvareli, farmers' living area
10		Georgia Vin Mukhrani Sellar LLI	N 0008 17 II 03	Available	M. Edisherashvili Mtskheta, village

					Mukrani
11		Gallery of Georgian Wines, Ltd.	N 0009 24 IO 03	Available	Sh. Korakhashvili Khvareli, 77 Gogebashvili Str.
12		"GMS", Ltd.	N 0010 24 IO 03	Available	M. Abaidze Khvareli, village Shilda
13		"Aliansi", Ltd.	N 0011 24 IO 03	Available	L. Chelidze Gori, Chala living area
14		"Georgian Wine House", Ltd.	N 0012 24 IO 03	Available	Z. Kikabidze 899 58 95 91
15		"Kolkhida Wines", Ltd.	N 0014 28 IO 03	Available	Sh. Imnadze Khvareli, village Naphareuli
16		"Teliani Veli", Ltd.	N 0016 28 IO 03	Available	I. Talakhadze Telavi 899 55 55 33
17		"Tifliski Vinni Pogreb-Tep", Ltd	N 0017 28 IO 03	Available	D. Akhvlediani Tbilisi, 27 Tumaishvili Str.
18		Winery Akhasheni, Ltd.	N 0018 28 IO 03	Available	V. Grebenshikovi Tbilisi, 24 Iumanishvili Str.
19		Wine Company "Shumi", Ltd.	N 0019 28 IO 03	Available	Telavi District, village Tsinandali
20		Joint Venture "Triumph" Liquor-Vodka Bottling	N 0020 28 IO 03	Available	G. Kratsashvili Tbilisi
21		JSC "TbilGvino"	N 0022 28 IO 03	Available	Z. Margvelashvili Tbilisi, Sarajishvili Ave. 899 56 59 29
22		Georgian Wine Collection", Ltd.	N 0026 28 IO 03	Available	G. Askilashvili Telavi, village Tsinandali
23		"Tbilvazi", Ltd.	N 0029 13 IO 03	Available	A. Tsuleiskiri Mtskheta Gldani
24		"Dikke", Ltd.	N 0030 31 IO 03	Available	Sh. Imnadze Tbilisi, 13 DAVID Agmashenebeli Ave.
25		"Collection of Georgian Wines and Alcoholic Beverages", Ltd.	N 0032 31 IO 03	Available	G. Mshvidobadze Ambrolauri, Telabi Achinebuli
26		"Rachuli Wine", Ltd.	N 0033 31 IO 03	Available	O. Chelidze Village Chrebalo
27		JSC "Vaziani"	N 0035 31 IO 03	Available	N. Chichinadze Tbilisi, 8 Akhvlediani Lane

					76 86 86
28		"Golden Khvanchkara", Ltd.	N 0036 31 IO 03	Available	E. Bakuridze Ambrolauri
29		"Alaverdi", Ltd.	N 0037 07 II 03	Available	I. Dugladze Village Chumlakhi
30		"Tbilisi Sellar", Ltd.	N 0038 03 II 03	Available	D. Akhvlediani Tbilisi, 27 Iumashvili Str.
31		"San-geo", Ltd.	N 0040 03 II 03	Available	A. Kharebava Gurjaani, village Vachnadziani
32		"Vachnadziani", Ltd.	N 0041 03 II 03	Available	M. Bukia
33		"Guguli", Ltd.	N 0042 03 II 03	Available	B. Javelidze Bolnisi 899 50 24 03
34		"Georgian Wine Empire", Ltd.	N 0044 03 II 03	Available	D. Bekuridze Gori, 10 Shindisi Highway
35		JSC "David Sarajishvili and Eniseli"	N 0039 03 II 03	Available	G. Shengelia Tbilisi, 4 Sarajishvili Str. 65 33 33
36		"Sakartvelo", Ltd.	N 0045 07 I2 03	Available	B. Gogichashvili
37		"Akhasheni", Ltd.	N 0048 07 II 03	Available	I. Dugladze Gurjaani, village Chumlakhi 899 55 87 09
38		JSC "Kotekhi"	N 0050 10 II 03	Available	Koroghlishvili Gurjaani 899 56 76 99
39		"Kindzmarauli XXI", Ltd	N 0057 10 II 03	Available	G. Bezhanishvili Telavi, village Tsinandali
40		"Telavi Wine", Ltd.	N 0058 14 II 03	Available	A. Mestvirishvili Telavi, 42 Mshvidoba Str.
41		"JRC Internation", Ltd.	N 0060 104 II 03	Available	A. Kekelia, I. Shotadze Marneuli, 1 Agmashenebeli Str.
42		"Vazi-I", Ltd.	N 0061 14 II 03	Available	E. Mildiani Mtskheta, village Tserovani
43		"Saperavi", Ltd.	N 0062 14 II 03	Available	D. Dakishvili Telavi, village Kisiskhevi
44		"Tsinandali-Georgian Wine Treasury", Ltd.	N 0063 14 II 03	Available	P. Giorgobiani Telavi, village

					Tsinandali
45		"Sameba Export Wine Company", Ltd.	N 0064 14 II 03	Available	R. Mdinaradze Sagarejo 899 58 15 80
46		"Sameba", Ltd.	N 0065 14 II 03	Available	P. Gvelesiani Sagarejo 3 Kostava Str.
47		"Kakheti Wines", Ltd.	N 0066 14 II 03	Available	M. Buadze Sagarejo, Kakheti Highway
48		"Chala-Wines", Ltd.	N 0067 14 II 03	Available	Z. Dekanozishvili Sagarejo
49		JSC "Okami"	N 0068 14 II 03	Available	Mikashavidze Village Okami 899 18 00 03
50		"Lampari-97", Ltd.	N 0069 17 II 03	Agreement with norm	A. Bakhtadze Tbilisi, 33 Samurzakano
51		JSC "Badiauri"	N 0072 17 II 03	Available	T. Gegeshidze Sagarejo, village Badiauri
52		"Datsi-93", Ltd.	N 0073 17 II 03	Available	Sh. Khelashvili Gurjaani, village Kardanakhi
53		Individual Entrepreneur "Shinagazrdilovi Taniel- Lela"	N 0075 21 II 03	Available	Telavi, village Tsinandzali
54		"Manavi Wine Sellar", Ltd.	N 0074 17 II 03	Available	M. Ghudushauri Sagarejo, village Manavi
55		JSC "Kazbegi"	N 0077 21 II 03	Available	S. Kalandadze Rustavi, 1 Mshvidoba Str.
56		"Caucasus Alcohol Company", Ltd.	N 0088 05 I2 03	Available	O. Adeishvili Tbilisi, Orkhevi
57		"GlavnSpirtProm", Ltd.	N 0053 10 II 03	Available	D. Khazaradze Kaspi, 7 Machabeli Str.
58		"Georgian Company of Organic Products"	N 0052 10 II 03	Available	Kaspi, 7 Machabeli Str.
58		Individual Entrepreneur "Nugzar Bukiashvili"	N 0080 21 II 03	Agreement	N. Burkiashvili Kvareli, 5 Jorjiashvili Str.
60		"GMT Wine Company", Ltd.	N 0085 28 II 03	Available	M. Svanidze Kvareli, farmers' living area
61		"Georgia's Agri-Products", Ltd.	N 0086 28 II 03	Available	R. Pholadishvili Tbilisi, 12 Sarajishvili Str.
62		"2 Georgia", Ltd.	N 0089	Available	Z. Guraspishvili

			05 I2 03		Mtskheta, village Mukhrani
63		"Tarro BWI Investment, Inc." company representation in Georgia	N 0090 05 I2 03	Available	S. Kalandadze Rustavi, 6 Mshvidoba Str.
64		"Geo-Alko", Ltd.	N 0093 09 I2 03	Available	G. Mhedlidze Gardabani District, Varketili farm economy
65		"Samgori Alko", Ltd.	N 0094 09 I2 03	Available	G. Shandize Tbilisi, 12 Iumashvili Str.
66		"Kakheti Wine House", Ltd.	N 0095 15 I2 03	Available	G. Jikurashvili Telavi, village Saniore
67		"Khvanchkara", Ltd.	N 0096 15 I2 03	Available	S. Nemsitsveridze Village Khvanchkara
68		JSC "Rektiphikati"	N 0099 25 I2 03	Available	M. Chkhoidze Khashuri, village Gomi
69		Corporation "Kindzmarauli"	N 0100 25 I1 03	Available	K. Konchoshvili Kvareli 899 58 39 78
70		"Tamada", Ltd.	N 0101 25 I2 03	Available	P. Goksadze Kvareli, 55 Chavchavadze Str.
71		JSC "Chandari"	N 0104 25 I2 03	Available	G. Zakalishvili Gurjaani, village Chandari 899 51 72 11
72		"Ushba", Ltd.	N 0106 29 I2 03	Available	I Sichinava 899 52 96 65
73		JSC "Manavi"	N 0108 06 01 04	Available	G. Getia Sagarejo, village Manavi
74		Company "DEG Alko Plus", Ltd.	N 0110 06 01 04	Available	E. Tsalkamanidze Tbilisi, 87 Chkhondideli Str.
75		JSC "Kachreti" Keburia's factory	N 0111 06 01 04	Available	G. Berulava
76		"Tibani", Ltd.	N 0120 02 02 04	Available	M. Natsvlshvili Sagarejo, village Tibani
77		"Velistsikhe", Ltd.	N 0121 06 02 04	Available	I. Kitiashvili 899 57 79 82
78		"Ukraine+", Ltd.	N 0158 24 04 04	Agreement	M. Tsintsadze Tbilisi, 4 Sarajishvili Str.

79		"Aragvi-2002", Ltd.	N 0159 22 04 04	Available	M. Merabishvili Kaspi, 7 Machabeli Str.
80		JSC "Zeindari factory Sachino"	N 0157 22 04 04	Available	S. Adeishvili Vani, Zeindari
81		"Samsmule", Ltd.	N 0160 28 04 04	Available	N. Chakhvashvili Gurjaani, village Kardanakhi
82		"Ocean", Ltd.	N 0168 17 05 04	Available	R. Darchia Lanchkhuti, Tskhaltsminda
83		"Suliko", Ltd.	N 0170 27 05 04	Available	S. Gamkrelidze Gori, Tskhinvali Highway, 6th kilometer
84		JSC "Kakhalko"	N 0129 24 02 04	Available	A.Stefnadze 40, Qoroghlishvili Gurjaani
85		"Khvanchkara-Geo" Ltd	N 0179 16 06 04	Available	M. Jincharadze Village Khvanchkara Ambrolauri
86		"Saba" Ltd	N 0154 16 04 04	Agreement	S. Sanikidze Rustaveli avenue Kutaisi
87		"Leo" Ltd	N 0187 12 07 04	Agreement	M. Eristavi 80, King Tamar, Gori
88		"Gurjaani Wine Cellar" Ltd	N 0214 17 09 04	Available	A.Maziashvili 55, Sarajishvili Gurjaani
89		"Budushuri" Ltd	N 0147 08 04 04	Available	G. Arunashvili 32, Evdoshvili Gori
90		"Winemaking Kharebi" Ltd	N 0201 13 08 04	Available	S. Vachnadziani, O. Akobia Gurjaani
91		"GEO-WIHE" Ltd	N 0112 26 11 04	Available	Sh. Tsitsqishvili 1, Shindisi highway Gori
92		"Mshvidoba" Ltd	N 0213 17 09 04	Available	B. Kikilashvili Village Tsiteltskharo Dedoplistskhoro
93		"Winemaking knight" Ltd	N 0152 16 04 04	Available	I.Beradze Zeda Khodashi nearby territory Akhmeta
94		"Geo-Alko" Ltd	N 0156 10 11 03	Available	G. Aftsiauri Baisubani Lagodekhi

95		“VIP” Ltd	N 0174 03 06 04	Available	G. Gogishvili Village Velistsikhe Gurjaani
96		“Kakheti 3000” Ltd	N 0197 06 08 04	Available	G. Erbotsonashvili Ninotsminda Sagarejo
97		“Tsinandali Winery” Ltd	N 0197 06 08 04	Available	K. Maisuradze Tsinandali
98		“Dugladzes’ Winery” Ltd	N 0229 22 10 04	Available	B. Bibileishvili Village Khashmi Sagarejo
99		JSC “Gurjaani 93”	N 0118 02 02 04	Available	M. Giorgadze Gurjaani
100		Tsageri winery “Orbeli” Ltd	N 0220 04 10 04	Available	S. Orbeli M. Chachkhiani
101		JSC “Crystal 1887”	N169 27 05 04	Available	M. Gabiskiria, J. Meskhi, 20, Meveli St., Tbilisi
102		“Senakuri” Ltd	N 0148 08 04 04	Available	R. Esartia 27, Rusia St. 899 94 99 99
103		“Alazani-irg” Ltd	N 0125 17 02 04	Available	Sh. Nadashvili Village Kardanakhi Gurjaani
104		“Askaneli Brothers” Ltd	N 0082 21 11 04	Available	I.Beqaure Orkhevi settlement Tbilisi
105		JSC “Imeri”	N 0116 21 01 04	Available	I.Kelenjeridze Kharagauli
106		JSC “Sviri 2”	N 0126 17 02 04	Available	O. Tutarashvili Sviri 2
107		JSC “Georgian Holding - Bagrationi”	N 186 12 07 04	Available	G. Aleksidze Orkhevi settlement Tbilisi
108		Individual Enterprise “Harutinov Amoiani”	N 0175 09 06 04	Agreement	H. Amoiani Aghmashenebeli Akhalqalaqi
109		“Gavazi” Ltd	N 0142 18 03 04	Available	B. Beriashvili Village Akhalsofeli Kvareli
110		“Coffee House - Canning Poll” Ltd	N 0195 30 07 04	Available	Z. Gilauri 24 Moscow avenue Tbilisi
111		“Chikani Wine Cellar” Ltd	N 0165 30 04 04	Available	A.Charqseliani Lagodekhi highway Kvareli
112		“Kakheti” Ltd	N 207 13 08 04	Available	B. Avaliani 5, Jorjiashvili St.
113		Company “Eniseli”	N 183	Agreement	B. Chubinidze

			05 07 04		76, Guramishvili Tbilisi
114		Individual Enterprise “Maka Samniashvili”	N 0202 13 08 04	Agreement	M. Samanishvili 2. Eristavi Tbilisi
115		“Georgian Brandy Company” Ltd	N 0206 13 08 04	Available	B. Kevlishvili 8, Akhvledi Lane Tbilisi
116		“Bachi” Ltd	N 134 02 07 04	Agreement	A.Bachilava Village Ungiri Zugdidi
117		“Peter-Mertesi” Ltd Georgia	N 0117 02 02 04	Available	T. Matiashevili Village Gremi Kvareli
118		“Gremi 1993” Ltd	N 119 02 02 04	Available	A. Gamsashvili Village Gremi Kvareli
119		“Nafareuli 1840” Ltd	N 144 02 04 04	Available	M. Khidasheli Village Nafareuli Telavi
120		“Orbi-Alko” Ltd	N 135 02 08 04	Agreement	S. Amiranashvili village Dighomi Mtskheta
121		JSC “Savane winery 1”	N 0143 02 04 04	Available	G. Andronikashvili Petriashvili, Tbilisi
122		JSC “Akhmeta winery”	N 0163 28 04 04	Available	V. Chapurishvili 81, Cholokhashvili St.
123		“Gruz-vino” Ltd	N 0225 15 10 04	Available	I.Gogolidze Shindisi highway Gori
124		“Batono” Ltd	N 0230 22 10 04	Available	N. Bagaauri Z. Dekanozishvili village Giorgitsminda Sagarejo district
125	Plant Protection Service			Central Laboratory	L. Bazerashvili 82, I. Chavchavadze St. 23-55-78
126				Poti Laboratory	K. Shelia
127				Toxicological Laboratory	M.Utmalidze, 82, Chavchavadze St., 22-04-18
128				Gurjaani industrial bio- laboratory	G. Kobiashvili 899 53-45-83 Akhasheni village, Gurjaani district
129				Gori industrial bio- laboratory	N. Qochoradze Tskhinvali highway, Gori district
130	Sakminkhilt	JSC “Kazbegi”		Own lab available	Shalva Avaliani

	skali				Deputy Director Rustavi 899 58 56 24
131		“Kazbegi 1881” Ltd		Available	94-21-50
132		“Tbilludi” Ltd		Available	34-72-58
133		“Kasteli” Ltd		Available	26-11-48
134		“Lomisi” Ltd		Available	91-03-01 Deputy – 877-50-90-90
135		“Coca-cola Bottlers Georgia” Ltd		Available	94-12-96 94-14-08
136		“Iberia Refreshment” Ltd		Available	25-02-84
137		JSC “Laghidze”		Available	95-53-45
138		Georgian Glass and Mineral Waters Company		Available	94-16-22 M. Khazaradze
139		“Bigi” Ltd		Available	99-87-99
140		“Borjomi product” Ltd		Available	877 43 14 76 Zurab Darchiashvili
141		“Alia” Ltd		Available	Kutaisi Chief engineer 877 45 66 77
142		“Faizi” Ltd		Available	Farviz Leqvinadze Kutaisi 899 74 80 74
143		“Tskhali Margebeli” Ltd		Available	Gia Akhvlediani 899 51 70 11
144		“Enguri” Ltd		Available	Zurab Gogokhia Zugdidi 899 51 06 00
145		“Oazisi” Ltd		Available	Zurab Chubinidze 65 22 76
146		Individual Entrepreneur “Kakha”		Available	899 16 29 39
147		“Progresi 2000” Ltd		Available	Omar Katsitadze 899 57 81 55
148		JSC “Sairme”		Available	Vakhtang Kopaleishvili 899 50 41 56
149		Scientific -Research Firm “Gama”		Available	Vakhtang Gvakharia Tariel Adamia 33 32 68
150	Veterinary Union	JSC “Central Supermarket”		Veterinary-Sanitary Expertise Laboratory	Z. Tilighauri Head of the Union 135, Tsinamdzghvrishvili St.
151		“Navtlughi” Ltd		“ ” —	6, Meveli St.
152		“Laso” Ltd		“ ” —	3, Vekua St.
153		Shavi Gedi” Ltd (Black Swine)		“ ” —	2, Moscow avenue
154		“Merkado” Ltd		“ ” —	5, Mosulishvili St.

155		“Saburtalo” Ltd		“ ”	43, Shartava St.
156		“Doghomi XXI” Ltd		“ ”	7, Mikeladze St.
157		“Didube” Ltd		“ ”	“Didube” subway
158		“Laba” Ltd		“ ”	3, Javakheti St.
159		“Terminal Port Didube”		“ ”	6, Agladze St.
160		“Samgori 93” Ltd		“ ”	“Ghrmaghele” subway
161		“Nobati” Ltd		“ ”	21, Kavtaradze St.
162		“Kolkha” Ltd corporation		“ ”	8, Tsabadze St.
163		Lilo bazroba		“ ”	Lilo
164		“Kedari” Ltd		“ ”	12, Mevele St.
165		“Biargo” Ltd		“ ”	6, Vardi Square
166		“Varketili 96” Ltd		“ ”	8, Shuamta St.
167	Agrichemical and Soil Fertility Service			Tbilisi Laboratory of Agrichemical and Soil Fertility Service	A. Megreladze 899 58 77 87
168				Anaseuli laboratory of Agrichemical and Soil Fertility	Rusudan Takidze Ozurgeti 899 92 87 61
169	Cattlebreeding Department			Special Laboratory	Zuran Dzmorashvili,  53, Telavi St., Tbilisi
170	Agriculture Product and Flour Quality Inspection			Central Laboratory	G. Getsadze 6, Gulua St., Tbilisi
171				Laboratory of Administration of Ajara Autonomous Republic	11, Gogebashvili St. (Batumi port)
172				Laboratory of Poti City Administration	On Poti port territory

*Translated by Nino Beradze and  
Rusudan Arveladze*

*28 June 2005*

## ANNEX 7. STRUCTURE OF THE MINISTRY OF AGRICULTURE AT PROJECT INCEPTION AND AT PROJECT COMPELTION





